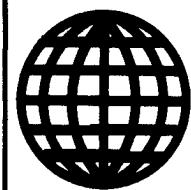


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Commodity Markets Trade With Albania

93BA0089A Sofia 168 CHASA in Bulgarian 13 Oct 92 p 15

[Article by Katya Yaneva: "The Albanian Market Is Opening"]

[Text] An Albanian businessman showed up at the Stara Zagora commodity exchange with a suitcase full of convertible currency instead of his own leks. We expect a growing demand for a wide range of metals and metal goods, such as structural iron, shaped steel, corrugated iron, etc., we were told by an exchange expert. The metal comes from the north and is shipped south and west. He mapped for us the commercial channel from Russia and Ukraine to Serbia, Macedonia, and Albania.

During the week, eggs and consumer electronic items for export to Albania were being sought also at the Plovdiv commodity exchange.

A steady demand for nonferrous metals, which cannot be satisfied, was recorded at the Vratsa commodity exchange, which has specialized in the nonferrous metal trade. There is a tender for 20 metric tons of nickel, imported from the CIS [Commonwealth of Independent States], at a price of \$6,850 per ton, the same as on the London metals exchange.

According to an expert at the Vratsa commodity exchange there is steady demand for rice and cooking oil. These two commodities were traded and sought intensively at other exchanges throughout the country. Cooking oil in bulk is fetching 13.30 leva per liter with DO [turnover tax] and rice at 11.60 leva per kilogram with DO. Rice appeared at the Plovdiv commodity exchange for 10.80 leva with DO; there was no offering of cooking oil despite demand; cooking oil in glass bottles was quoted at the Stara Zagora commodity exchange at 16.50 leva per liter with DO. Rice was being sought at the Varna commodity exchange at seven leva per kilogram, but according to the brokers the offered price was very low.

Structural iron was also one of the items in demand during the week, according to the expert of the Burgas commodity exchange, which celebrated its first anniversary. Structural iron was being quoted at 5,400 to 5,900 leva per ton, depending on size. A major shipment is expected of the type most in demand. The price quoted at the Vratsa commodity exchange was 5,750 leva per ton without DO.

The price of sugar has dropped in all the exchanges. At the Burgas commodity exchange it was quoted at 9.00-9.20 leva per kilogram without DO and 11.20-11.40 leva with DO but it is expected to drop by another 0.20 leva per kilogram, from 9.90 to 11.20 leva per kilogram with DO at the Varna commodity exchange, 11.30 leva per kilogram with DO at the Vratsa commodity exchange, and 9.70 leva per kilogram without DO and 11.00 leva per kilogram with DO at the Stara Zagora commodity exchange.

A major deal in diesel fuel and fuel oil is about to be concluded at the Burgas commodity exchange. The export of 300 tons of diesel fuel to Macedonia at \$228 per ton was agreed upon at the Oil and Metal Exchange, which has specialized in the fuel trade.

The same exchange is drafting limited contracts for supplying the domestic market with propane-butane and A-93 gasoline. Propane-butane will sell at 8,830 leva per ton, and gasoline at 9,520 leva per ton; the trade discount on the state price is 250 leva for the former and 350 leva for the latter.

The price of tractors imported from the CIS and offered at the Varna commodity exchange has dropped by 2,000 leva, currently selling at 38,000 leva. Antifreeze was most popular during the week at that exchange. Newsprint was selling at 11,260 leva per ton. Fuel oil was selling at 3,150 leva per ton with a 1-percent sulfur content, and 2,380 leva with a 3-percent sulfur content.

Trade in grain crops is intensifying. Corn was being offered in Varna at 2,000 leva per ton and sunflower seed cake at 2,300 leva per ton. On the Dobrudzha exchange corn was being offered at 1,800 to 2,020 per ton in Dobrich, but there were no deals. In that same exchange the price of baker wheat for the domestic market was 1,714 leva per ton and 1,750 leva per ton, and for export at 1,900 leva per ton. At the Pleven commodity exchange wheat was selling for 1,600 leva per ton. At that same exchange sunflower for export was selling at 3,100 leva per ton; in Dobrich sunflower seed for oil was in demand at 3,200 leva per ton.

Soybeans were in demand in Dobrich at 4,250 leva per ton and offered in Vratsa at 4,600 leva per ton but buyers were not offering more than 4,200. Brewery wheat for export to Macedonia was being offered at 1,650 leva per ton at the Oil and Metal Exchange.

Personality, Views of Business Bloc Leader

93BA0091A Sofia 168 CHASA in Bulgarian 13 Oct 92 p 16

[Article by Gergo Manchovski: "Likable George Is Overburdened With Illusions and Memory Tricks"]

[Text] In psychiatry this phenomenon is known as *cryptoaesthesia* and the inclination to confabulate.

He was the subject of an entire cycle of jokes and mockery on the part of Khristo Boychev. For quite a while he was called a "clown," to put it mildly. Recently, Yuriy Aslanov detected in him the features of a nationalist and petty fascistoid. George could not care less. This was their problem, he said, so let them go to hell, let them frown if they dislike my smile!

This likable husky fellow is an extremely curious subject in the field of political psychology. He is noted among the large group of candidates for fame that has appeared in recent years, not only because of his impressive girth and sunny smile. The low results attained by the Business Bloc in October 1991 and the very high results only a few months later achieved by Ganchev as candidate for president categorically proved that the interest of the voting public was aroused exclusively by George's personality. More than 17 percent of the voters were not influenced by the abuse poured on him in DEMOKRATSIYA, his status as a political lightweight, or the abundance of fabrications and stupidities found in his own claims and statements. The voters simply ignored all this and trusted him. Their

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relatively high political immaturity does not provide any kind of suitable explanation of the event. The main reasons for this high percentage, nonetheless, should be sought in the unusual and peculiar nature of George Ganchev.

On various occasions, he has repeatedly claimed to be one of the founders of the SDS [Union of Democratic Forces]. No one has confirmed this. Two or three SDS founders, known to the public, have categorically denied his involvement with the blue movement in the first days of its creation. Although theoretically he could have been one, he was not.

He claims that his staging of "The Inspector General" in the United States was the best and that when he directed for the first time Bulgakov on the U.S. stage Richard Chamberlain cried. This too could have happened but did not.

Recently, he was told by Mollov that he had made an error concerning the Business Party and made a mistake involving Cherpokov and that he should improve relations with him at all costs. In principle such a conversation may have taken place but actually it did not.

He has shown an exceptional liking of politics since 1968. It was as of then that he had been preparing for the change. No one who knows him has spent all that much time working for his country while being abroad. He went abroad as a voluntary political exile, although he lacked nothing in the country. This too could be the truth, in principle. Actually, however, no one had ever heard of this political exile.

His career appears international. He had a London period with complete "blue blood": Oxford, Cambridge, and the lords. This was followed by a period in Eton. There he claimed to have been the head of the physical culture department in the school attended by Prince Charles and the sons of presidents and prime ministers and of the British aristocracy. That could have happened but, clearly, it did not.

Such is George. Some of the claims we described will be found by the mistrustful reader in KULTURA (8 November 1991), presented in a masterly interview. That which "could have happened" converts with amazing facility into "it happened." He does not lie in the strict sense of the word; he is not deliberately self-seeking and does not wish to mislead anyone for speculative purposes. He simply believes himself when he makes such claims. That is why many are those who believe him—more than 17 percent in January.

In psychiatry, this phenomenon is known as cryptoamnesia. It may be encountered in healthy people as well, as in this case. Some actual memory of something that one has heard, read, or seen in a motion picture becomes a personal experience. The content of the memory is personalized although the event applied to other people or to fictional characters. The memory does not realize that this was someone else's experience.

This is also known as a memory illusion.

George has been the opponent of Mr. Al. Cherpokov since the start of 1991. He attacked him Bulgarian style, on a personal basis, rather than opposing his ideas and statements. Someone told him, or he may have read somewhere, that for a while Cherpokov was an investigator for the MVR [Ministry of Internal Affairs]. In time, however, this true memory is covered by a layer of fabrications, including, for example, that he was a member of state security, that his father was a bad person, and so on.

Our subject has real memories of Mr. Mollov that are related to the Higher Special School, Libya, and Germany. Later, however, this memory is expanded by adding to it Andrey Karlovich, "the shoulder boards...the rank of major...a flying start...can you hear me?.... The gang gets together for big business." There is an abundance of extraneous elements. This picture is a true one as far as George is concerned.

We believe that he indeed met with Simeon II and he probably wrote him a letter. Here is the way this is described later: "He and I spent a good week in London.... We met with his sister, who adopted our platform and liked it tremendously.... The Coburg gene makes him exceptionally mistrustful. He tried to become aloof, after which I, naturally, ignored him...and after which he became confused...."

At this point one can clearly note the other characteristic feature of G. Ganchev, which is his inclination to confabulate (memory tricks). Although less frequently, this phenomenon is encountered in clinically healthy individuals as well. He can tell richly embellished stories about Lord De Beaumont, Sir Andrew Back, the fleet admiral, John Huston, Sean Connery, and others. His stories sound truthful and convincing, presented artistically, without any doubt whatsoever as to their veracity.

Despite his substantial intellectual potential and some artistic talent, actually Mr. Ganchev has not had formal training in any area. We are familiar with his practical experience in show business, but that was as an apprentice, something that he himself acknowledges. He has the innate talent of a gigolo, but whether he has been one is unknown. Probably more than 75 percent of his electorate is female. He impresses women with his obvious manliness, romantic spirituality, unusual behavior, a feeling of unraveled secrets, and eccentric battles for achieving conscious and subconscious aspirations. They can see that he is not Cyrano de Bergerac, but they assume that he could have been. He has a sword, a real one. And why should they be attracted to boring philosophers, slick and unscrupulous lawyers, people who were only yesterday Komsomol activists and who are now plunged in demagogic, politically malicious mediocre literary workers, structuralists, old bachelors, and senile grandfathers?

Better go with George. He is always smiling and ready to sing. He is energetic and rebellious, passionate and expansive. He may be telling unnecessary and even false things about Zhelev and Yordanov and views about people like Mako Dakov and Peko Takov (what kind of names are

those, hey!); however, one does not detect in his words any malice or vengefulness. They are truly missing.

His impulsive nature and sharp tongue irritate many people but impress many others. Most of them cannot describe anyone like him. Is he Christ, is he Pencho Gruev? However, he has "read many books, Krishna, Mohammed, the Koran, the Old and New Testaments, and Zen. All of them are very close to him." Like him, most people accept in principle that some people should become millionaires. However, they do not like any specific millionaire whose name they know. George's executive council includes three honest millionaires, but their names are not known and perhaps they do not ride in black Mercedes with white license plates.

When he appeared on television for the first time, George announced to the people that in the near future his party will have one million members. Only communists make such announcements. He then proclaimed himself to be a neoconservative, or, therefore, far right of center. For a while he courted some agrarians, i.e., he displayed centrist positions. He was photographed with Dertliev, sitting on a chair, but immediately after that shared with the journalists the fact that, actually, he was "somewhat right of center." By now, judging by the discreetly hinted ties with the OSD [Alliance for Social Democracy] he must have moved "slightly left of center." Such is George, the politician. On the ideological level, he finds it difficult to define his own ideology in standard terms, for "it is excessively complex to become standardized." "I think that this is a modern market economy with a marginal social involvement. Let us say that it is capitalism with a human face." Something that resembles social democracy but something he has renamed neoconservatism.

Such ideological confusion and frivolous shifting from left to right and then back again reveal the exceptional superficiality of his views. His political behavior has no strategic line. Increasingly few people are being attracted by his

showiness. His business brotherhoods are a fiction, and for the past two years one cannot see him being surrounded by any team or even politically recognizable individuals. All of this makes him responsive to the courting of blue or red or other sympathizers. We can see him in a great variety of combinations with centrists, and even if "his" electorate may decline by a factor of five, he still remains welcome to the team.

The rulers tickle him with occasional discussion and by giving him television and radio time, in the hopes of once again tricking at least some of the entrepreneurial stratum and reducing the criticism coming from this sensitive area.

He is exceptionally needed by the OSD within the BSP [Bulgarian Socialist Party] in order to enable them to somewhat justify the fact that they are shifting to the right in a direction that, naturally, was taken by a high percentage of people who were until recently communists and socialists. Abandoned by the party leadership, persecuted, and expelled from state service and by the power holders, for tens of thousands of healthy, good, and able people, private enterprise remains the only worthy field for labor initiative. In turn, however, this leads to changes in their interests and, hence, to their withdrawal from the "red" electorate. They have been pursued by the OSD, which explains the fact that standing close to George is Prof. Nansen Bekhar, who in the past was the creator of T. Zhivkov's economic concepts. The same explanation applies to the respect paid to him by Socialist Deputy Zakhari Zakhariev, and to Rosen Karadimov's support of Ganchev.

This fuss made over his person enables him to flirt with various political forces and to seek dividends. The electoral campaign that will take place within a year offers a final opportunity for George to transform, from a political phenomenon, into the political subject known as Georgi Petrushev. The trends in the changes of mass awareness are not in his favor.

Easy Solution of Czech-Slovak Separation Doubted

93CH0057C Prague CESKY DENIK in Czech 9 Oct 92 p 3

[Commentary by Josef Mlejnek Jr.: "Separation Most Likely Without Velvet"]

[Text] In the summer, especially after news conferences and following the negotiations between the ODS [Civic Democratic Party] and the HZDS [Movement for Democratic Slovakia], everything looked incredibly simple and easy. Czechoslovakia would separate in a velvet, civilized way, according to plan, according to an agreement. Admittedly, it would involve a considerable amount of work and a number of crucial laws would have to be passed, but it would be possible. The Western public, tensely watching the course of the separation process, would allegedly reward us with tumultuous applause once it was successfully completed. However, the Western media took all statements about a velvet separation with reserve, and most of the commentators unanimously added: "Wait until the assets have to be divided." Unfortunately, in the case of Czechoslovakia, the disagreements about the method of dividing the assets are merely representative of a much deeper problem that will be much more difficult to surmount.

The real bone of contention is the Slovaks' lack of will to ensure a smooth and unproblematic dissolution. If both "partners" (actually antagonists from the very beginning) really wanted two truly independent states, there would be a real possibility that a peaceful separation could be achieved. To be sure, a few sparks would fly, especially in relation to the division of assets, and there would be procrastination and complications, but, essentially, a velvet separation would be possible. However, in the interests of Slovakia, this may not be the unfortunate (and, for the Czech Republic, dangerous) union instead of an independent state. Slovakia would like to enjoy all the advantages of an independent state yet astutely wishes to transfer all the disadvantages to the "common"—that is, de facto the Czech—account. In Bohemia-Moravia, only blind ideologists from the ranks of the leftists could accede to this, and, therefore, the only option was to impose such a monstrous structure by exerting pressure. A compromise between a union and two independent states is not possible, and, consequently, the agreement was basically eliminated because of the HZDS's insistence on its position about a union, and politics continued to use other means—luckily, only parliamentary maneuvers.

During prior talks, Vaclav Klaus offered Vladimir Meciar (presuming he would stop flirting with the unions and associations) a dense network of agreements on cooperation between the Czech and the Slovak (independent) Republics, and, to begin with, the Slovak prime minister accepted it for the sake of appearances. But only for the sake of appearances because it does not solve the most important problem of Slovak independence. Not even the leaders of the HZDS publicly conceal their fears about the extent to which their fatherland is prepared for independent statehood—the threat of economic recession; a state budget deficit of astronomic proportions, setting loose a

crazily spinning inflationary spiral; and the irresponsibly acute relations with their southern neighbor, mainly caused through their own fault. After a thousand years of attempts, a not very propitious starting point has been reached. Vladimir Meciar needs something that would help him avert the acute danger of failure, and, in this respect, a union would be, so to speak, an ideal solution, a powerful lever to use to "milk" the Czechs of further and further billions and get guarantees of security. An agreement between two independent states (as opposed to a union) can be unilaterally canceled relatively easily, and, thus, there is no automatic guarantee that it will become a Band-Aid to cover the deep wounds and serious ailments of the Slovak economy. Admittedly, it would be only a Band-Aid, but it would be more than enough to preserve power, especially if it is based on authoritarian practices. An agreement between two states cannot be a substitute for a union because an economic recession would lead to its discontinuance and, thus, to a further intensification of the crisis situation. Therefore, Vladimir Meciar desperately needed the economic and security safety net of the Czechoslovak union. Not even the conciliatory, soothing (and shortsighted) voices from the Czechs about the "economic pragmatism of the HZDS" or "many concordant views on the economy" deluded the Slovak prime minister. Guided by the healthy class instincts of a neobolshevik, he was very well aware that the differences in the views of Prague and Bratislava on the economy (and other things, too) are basic characteristics.

The conflicting interests of the two sides increasingly gave rise to pessimism, and hopes for a velvet separation disappeared into thin air. The Czech Republic does not want a union; on the other hand, bilateral agreements were not sufficient for the Slovak Republic, and, therefore, its leader tried with all his might to have his ideas on the constitutional aspect implemented as far as possible. Thus, the partners became antagonists a long time ago. The talks and agreements have so far served Vladimir Meciar merely as tactical breathing spaces in order to weaken his antagonist's vigilance and to prepare an unexpected, harsh attack. Diplomatic statements on renewing mutual trust and the ambiguous "minimalist" phraseology of the Jihlava communique "the HZDS recognized and recognizes that the ODS does not agree with creating a union" cannot dispel the clouds of doubt and fear about the smoothness and peacefulness of further developments. After all, to implement any agreement, there must be mutual goodwill on both sides.

Immediate Assertion of Independence by CR Urged

93CH0068B Prague CESKY DENIK in Czech
24 Oct 92 p 3

[Commentary by Josef Mlejnek Jr.: "Legitimacy Vacuum"]

[Text] Ever since November 1989, as part of the transfer of a growing number of powers to the republics, the Federal Government was losing authority and there were increasingly more matters in which it was given no say whatever.

The Czechoslovak federation gradually turned into something more akin to a confederation and the "federal" government thus assumed the character of a coordinating body, its decisions depending on Bratislava's blessing. Following the elections, that state of affairs reached its apogee; while, prior to the elections, one might put the word "federal" into quotation marks, afterward, if we really wanted to define the situation precisely, we would have to adorn the word "government" too with quotation marks. The coordinating body of an expiring federation whose decision may be nixed by a choleric outburst of the Slovak prime minister is a government on paper only. The same applies to the federal Constitution, a document that all those resuscitators of dead bodies invoke so fondly and that has force only and solely when the Slovak leader, in accordance with "effective constitutional rules" bound to obey the Constitution, kindly agrees to respect it. While the Slovak Government already exercises full power in its country and views Slovak federal ministers as emissaries defending national interests in interstate negotiations, in the Czech lands we have a kind of a dual government. The Czech Republic [CR] Government was until recently viewed as something of an unimportant, secondary, even regional nature. Czechs thinking in Czechoslovak (which doesn't necessarily mean Czechoslovakist) terms always found themselves closer to the Federal Government, which they regarded as the main and important one. Even though the shifting of powers gave the CR Government the same authority as its Slovak counterpart, it still played something of a second fiddle in society's consciousness. Perhaps that is why not a few people thought that when we have a Federal Government the future of a common state is not yet lost; if the government does a good job of governing, everything will be quickly brought in order. Stereotypes have a long life and it is not easy to perceive the difference between the real state of affairs and legal norms out of step with it—norms that developments, especially in times of upheaval as we are experiencing now, often leave far behind.

As if problems of "domestic politics" were not enough, we find that international problems too arise in connection with them. According to international law the federation is, until the end of the year, a normal state fully responsible for its obligations. Thanks to this view of things the Czech side has landed in the Gabčíkovo trap. The hand on the imaginary spigot through which the Gabčíkovo monument of Communist megalomania is being filled is Vladimír Mečiar's. Responsibility for the potential consequences of its being turned on is borne by what is essentially also an imaginary federation. And because the CR is still part of the "federation" its representatives find themselves in a very unpleasant, or as diplomatic language would put it, delicate situation. The only thing they can do is to pretty please Vladimír Mečiar to behave reasonably. The Slovak prime minister is likely to behave "reasonably," but of course within the limits of his irrational rationality. For he would have to be very unreasonable to forgo using the Gabčíkovo lever in negotiating with the Czech side on the breakup of the federation, division of assets and a system of successor treaties. The Federal Government which on

paper is responsible for it all is actually quite out of the game: Slovak ministers can block everything and even if they don't the government lacks any means whatever to make its decisions stick. In days when it still had the means, owing to the misguided and shortsighted tactic of "not roiling the Slovaks, perhaps they will not break away" it willingly lent succor to the Slovak concrete lobby and adopted a very unaccommodating, even confrontational posture. Now it will be the actual successor to its authority, the Czech Government, that will harvest the bitter fruit. There is no point reproaching the EC for lack of a sensitive approach, inability to react more flexibly to the real state of affairs. After World War I our predecessors prided themselves on being "the darlings of the entente" and then were very surprised when the real state of affairs came to light. So too the CR is in no way a "darling of the EC" and therefore must struggle hard for its interests. It would greatly help the standing of the Czech state if its government did not wait until 1 January 1993, but began now to conduct itself as a government of a truly independent state. In that way it would kill three birds with one stone—fill the gap between the powerlessness of the Federal Government and assumption of its powers, improve its position in negotiating with the Slovak "partner" and thus strengthen its position abroad.

Danube Dam Historical Background Clarified

93CH0068A Prague CESKY DENIK in Czech
24 Oct 92 p 1

[Commentary by Milan Caha: "Consent as a Bribe"]

[Text] *The crisis around the Gabčíkovo-Nagymarosz hydro-project is becoming more acute. Therefore, CESKY DENIK editors asked Milan Caha of the Budapest Regional Center for Central and East European Environment for his view of this problematic project.*

[Caha] Plans for building a system of hydroprojects of Gabčíkovo-Nagymarosz originated in the 1950's exactly in the spirit of the gigantic projects of socialism favored at the time. They subsequently found their concrete form only in a 1977 interstate agreement between the CSSR and the MLR [Hungarian People's Republic].

But the variant agreed upon did not provide for a diversion of the Danube and anticipated peak output from the power plant.

In 1989, in the wake of democratic changes taking place in our southern neighbor country, the Hungarian Government decided to halt construction of the Nagymarosz step and freeze it until the time a final decision is made regarding the fate of the hydroprojects. The Slovak Government decided not to halt construction and merely changed its tactics. The Slovak representation began to press for variant C, which, unlike the original text of the agreement, provides for diverting a substantial volume of Danube water to a derivation canal built on Slovak Republic territory.

The situation became markedly more acute in the course of the past year and a half. The Gabčíkovo problem became one of the friction points involved in arranging

relations between the Czech and Slovak Republic. While the Federal Committee for Environment [FVZP], headed by Eng. Josef Vavrousek, emphasized the need for a mutually acceptable solution based on using the Danube's original riverbed, the Czech representation underestimated the situation. Consent to variant C became a bribe to preserve the federation.

Even though during construction work on this dam the political system underwent a complete change, the concrete lobby was unaffected by this earthquake. In the past, it had connections to the highest political circles of the Slovak Republic, and it still has them. If in the past it was Gustav Husak who, through a relative, held a protective hand over this project, after November this role was assumed by the brothers Carnogursky. Not even after this year's election, despite the diametrically opposed political views between the KDH [Christian Democratic Movement] and the HZDS [Movement for a Democratic Slovakia], has the Slovak representation's position on Gabčíkovo changed. Ivan Carnogursky in the post of Hydrostav director can rely on full support from Vladimír Mečiar for completing the hydroproject's construction.

On the Hungarian side, too, the situation is not without ambiguity. In some respects, Nagymarosz is to the Hungarians a symbol of democratic political changes, and, at the same time, the Hungarian Government seeks to gain political capital and international prestige from the conflict.

Moreover, nationalist issues have also entered the game. While the Water Management construction director, J. Binder, declares that, whoever is against Gabčíkovo is against Slovakia, Hungarian nationalists tap feelings of a threat to the Hungarian minority living in the south of Slovakia.

The impending catastrophic impact on the region's environment, regardless of state frontiers, has been shunted to the margin of public concern. Yet there is a real threat not only to the valuable ecosystems of meadow forestlands, but also to the very basis of the region's economic prosperity—the underground reservoirs of quality drinking water.

Today, the situation has unfortunately reached the stage in which no solution is painless or cheap. It is no longer even possible to put in effect the earlier FVZP recommendations. Unilateral steps by any of the involved parties can result in an even more serious political conflict. The present position of the European Community can serve as proof. The game about the Danube is in a deadlock.

Downward Movement of Slovak Economy Viewed 93CH0045A Prague EKONOM in Czech 2-8 Oct 92 pp 16-18

[Interview with Eng. Rudolf Krc, candidate of sciences and chairman of the Slovak Statistical Office, by Jan Urban and Irena Satavova; place and date not given: "Which Way (and How Fast) Is the Slovak Economy Moving?"]

[Text] We put the question having to do with the numerical development of the Czech economy to Docent Eng. Eduard Soucek, candidate of sciences and chairman of the Czech Statistical Office, in issue No. 36/1992 of EKONOM. One month later, we put the same question to Eng. Rudolf Krc, candidate of sciences and chairman of the Slovak Statistical Office.

[EKONOM] What has been the development of the boom in the Slovak Republic during the first six months of this year in statistical terms?

[Krc] If we examine the data captured as a result of the current reporting system, the situation is such that the decline in the economy is continuing. The gross domestic product in the second quarter declined by 10.2 percent, in comparison with the first quarter; in the entire first half of 1992, compared with the second half of 1991, the decline was 5.2 percent; and, in comparison with the first half of 1991, which is essentially a comparable period, it was lower by 12-15 percent. We noted a somewhat higher drop in national income (excluding foreign trade): In the second quarter, national income declined by approximately 17 percent; in the first half of 1992, compared with the second half of 1991, the decline was 12 percent, and, compared with the first half of 1991, the national income declined by 17-20 percent. As far as consumer prices are concerned, a slowdown in development is discernible here: In the second quarter of 1992, compared with the first quarter, consumer prices rose by 0.5 percent; the first half of 1992, in comparison with the second half of 1991, showed a growth of 4.1 percent, and a comparison with the first half of 1991 indicated an increase of 12.4 percent. In principle, it can be stated that, from the standpoint of price development, there has not yet been a turnaround; perhaps the third quarter could show a certain change of a more permanent nature, provided the interquarter growth rate remains at 0.5 percent. As far as the cost of living is concerned, the situation is similar to that involving consumer prices—that is to say, in 1992 there have also been intermonth changes amounting to tenths of percentage points: The cost-of-living indicator in the second quarter, compared to the first quarter, was only higher by 0.2 percent; in the first half of 1992, compared with the second half of 1991, it was higher by 4.7 percent, and compared with the first half of 1991, by 13.1 percent. So much for the basic characteristics of development we are obtaining as a result of the current reporting system.

We also have at our disposal data acquired as a result of prosperity research conducted in selected sets of industrial data, data in the construction industry and in trade. These data, acquired on the basis of evaluating enterprises (even those operating as state enterprises as well as private enterprises), indicate how they themselves evaluate their further development.

[EKONOM] What then are the expectations of Slovak enterprises for the third quarter?

[Krc] We conducted the most recent prosperity tests in July, involving 343 selected industrial enterprises, of which 14 percent are in private hands. These enterprises

represent approximately 75 percent of the volume of industrial production in the Slovak Republic and account for almost 68 percent of all employment. It is possible to state that this set of enterprises is relatively representative. Its evaluation of the future looks like this: The economic situation in the third quarter will not be expressly different from the situation in the second quarter. According to the status of orders and ongoing negotiations, one-half of the respondents do not signal any changes in the development of demand in the domestic market or the foreign market. Low demand is the most frequently listed barrier to the growth of production. According to preliminary computations, production in the third quarter should decline by 1.4 percent. The decline in the volume of goods production also results in a further decline in the numbers of employees—something on which 26 percent of the respondents were figuring. A mild revival is expected in export sales, which are expected to increase negligibly by 0.5 percent. Almost 28 percent of the respondents felt that the prices of industrial production would increase. Some 62 percent of the respondents were figuring on the stabilization of prices. Overall, according to preliminary computations, a more express growth of prices is not expected. Forty percent of the respondents felt that the volume of their loans would increase.

A similar situation also exists in the construction industry, which, however, is specific, in that enterprises are expecting a mild trend toward a 3-percent growth rate in the third quarter. Among the more serious barriers to the growth of production, these respondents listed the uncertain economic environment, low demand for their products, and inadequate or unsuitable production capacities. More than 36 percent of the respondents anticipated a growth in domestic markets, but construction enterprises continue to struggle with the problem of sales.

[EKONOM] In other words, your outlook for economic development in Slovakia to the end of 1992, based on both of the previously listed sources, is...

[Krc] If we base our outlook on the prosperity tests, it turns out that even for the Slovak economy as a whole it is necessary to figure on a continuing decline in production and a certain increase in prices. We figure that goods production in industry will decline by approximately 10.8 percent by the end of the year, compared with last year; in enterprises employing more than 25 employees, where the state and cooperative sector still predominate, we are even expecting a decline of as much as 13 percent. The volume of national income (net, excluding foreign trade), compared with the end of 1991, will decline by 10 percent; the

gross domestic product will be lower by about 6 percent. Employment should be about 5 percent lower, with the measure of recorded unemployment dropping from the current 11.3 percent (11.1 percent as of 31 July 1992) to approximately 9-11 percent at the end of the year. But we expect a further increase in the real measure of unemployment, to about 15-18 percent. The difference represents those individuals who are not entitled to unemployment assistance and are dependent on themselves.

As far as the cost of living is concerned, we do not expect it to rise substantially by the end of the year. Over the first eight months, the rise in the cost of living in Slovakia amounted to 0.4 percent—equal to our rate of inflation. In December 1992, we expect the cost of living to be approximately 4 percent higher than it was in December 1991. The annual rate of inflation could be somewhat higher—4.4 percent.

[EKONOM] However, the annual growth rate of inflation for the entire federation was estimated to be approximately 10-15 percent.

[Krc] I believe our estimates of inflation are accurate with respect to their methods. This is also confirmed by public opinion polls. Of course, a mistake could occur. I have already evaluated materials using a preliminary variation of a 3-percent growth indicator, and the data definitely indicated a decline of 10 percent. We would like to avoid that; we must learn to estimate, and it will be some time before we will know for sure. But, in the final analysis, the whole world does it this way, and we, too, must become accustomed to making our estimates more precise.

[EKONOM] Could you try to define the principal differences between the development of the Czech economy and the Slovak economy?

[Krc] The differing development of the economies of the Slovak Republic and the Czech Republic is shown in the table. It is clear that the principal difference lies in larger enterprises, where the decline in production for the first six months of 1992, compared with a similar period of last year, appears to be smaller in Slovakia than it is in the Czech lands. In terms of export sales, where the Slovak economy was more tied to eastern countries as recently as last year, it is clearly prospering. Regarding consumer goods, the situation is expressly differently, even though it is contrary: Market sales in Slovakia increased by 5.6 percent, and in the Czech lands by 20.5 percent. There are specific differences also in terms of the number of unemployed and in terms of unrealized monetary resources, which amount to 4 billion korunas [Kcs] in Slovakia and three times as much in the Czech Republic.

Comparison of Development of the Economies of the Slovak Republic and the Czech Republic

Indicator	Unit of Measure	Slovak Republic		Czech Republic	
		Jan-Jun 92	Index 1992/91	Jan-Jun 92	Index 1992/91
Industry					
Production of goods, total	Billions of Kcs	170.2	81.2	437.5	81.5
Production of goods in industries employing more than 25 people	Billions of Kcs	160.2	90.3	406.4	78.4
In privately owned enterprises	Billions of Kcs	7.3	194.4	86.3 ¹	87.9
Export sales	Billions of Kcs	40.9	114.8	92.6	88.7
Construction Industry					
Construction work based on delivery contracts	Billions of Kcs	23.9	111.6	43.0	106.7
Domestic construction work (enterprises with more than 25 employees)	Billions of Kcs	14.2	96.3	29.4	89.9
Construction work in enterprises under private ownership	Billions of Kcs	3.9	179.1	8.2	120.3
Consumer Market					
Proceeds from sale of goods and services	Billions of Kcs	62.1	105.6	158.4	120.5
Proceeds in private organizations	Billions of Kcs	31.7	—	69.5	443.4
Employment					
Number of employees in industry	Thousands of individuals	615.7	83.3	—	—
Number of employees in construction industry	Thousands of individuals	154.0	89.8	—	—
Number of unemployed	Thousands of individuals	282.3	93.5 ²	141.7	63.9 ²
Measure of unemployment	%	11.3	—	2.7	—
Monetary Resources of Population					
Monetary income	Billions of Kcs	94.9	117.0	220.8	121.7
Including wages	Billions of Kcs	48.7	110.5	114.1	110.9
Monetary expenditures	Billions of Kcs	90.6	110.0	205.4	116.0
Increase in unrealized monetary resources at disposal of population	Billions of Kcs	4.3	—	15.4	—
Prices					
Index of consumer prices for goods and services	Index	101.4 ³	112.4	102.5 ³	—
Index of industrial producers	Index	—	105.1	—	110.9

¹In enterprises employing 25 or more workers²Compared with the status at the end of the year³Index December 1991 = 100

[EKONOM] How is the private sector developing in Slovakia?

[Krc] There are four ways to expand the private sector: privatization; demonopolization or deconcentration (to the extent that we are liquidating large enterprises engaged in production); the development of business; and the development of enterprises with foreign property participation. The number of enterprises that are coming into being on the basis of auctions and small-scale privatization is constantly growing. From 14 February 1991, when privatization began, until 28 June 1992, some 9,324 units were auctioned in Slovakia, at an upset price value of

Kcs11.63 million. And the auction price was 20 percent higher—in other words, Kcs13.989 million. The auction prices of retail stores, which accounted for 57.7 percent of all auctioned units, and the auction prices of service facilities, which accounted for 13 percent of all auctioned units, were expressly higher. In the engineering industry, however, the auction price was lower than the upset price by virtually 32 percent. The largest number of Dutch auctions involved domestic trade facilities (with services being in second place and construction production in third).

A second source to indicate the development of the private sector can be seen in the growth rate of recorded economic

organizations registering in the Business Register; by 30 June 1992, the total of such organizations was 16,885. As of 1 January 1992, their numbers increased by 39 percent. Of the total number of economic organizations, 59 percent were privately owned, 10.9 percent were cooperatively owned, and 12.2 percent were under international and foreign ownership. The remainder represents those enterprises that broke up into smaller units.

The third way is the development of new businesses. As of 30 June, Slovakia had 360,161 private business entrepreneurs who were registered in the Commercial Register; as of 1 January 1992, their numbers increased by 22.8 percent. This process is also relatively strong. It is most specifically seen in commerce and in repair services (a growth of 47 percent in six months, up to 75,000). Second place is held by health, veterinary, and social services (a growth of 40 percent to 729). The final method for developing private enterprises involves enterprises established under international or foreign ownership. In Slovakia, there are 2,063 such organizations; the growth rate here is relatively lower—12.2 percent. Most of these enterprises are again active in commerce and in repair services (1,059). Second place is occupied by real estate enterprises, research services, and other commercial services not requiring a large amount of capital, and third place is held by the processing industry.

[EKONOM] And what is the private sector's share today in the total of Slovakia's economic production?

[Krc] According to preliminary data, the private sector accounted for approximately Kcs10.5 billion of national income in the first half of 1992 in the Slovak Republic (in current prices) and accounted for 14.7 percent of the total

national income. In the first half of 1991, this figure was only 5.5 percent. The share in the gross domestic product is still greater, but, for now, we are not separately monitoring the share of the private sector in individual types of production. We did so only with respect to selected samples provided by 2,000 businessmen, where we were primarily interested in how regularly they are pursuing their activities. We found out that 49 percent of the respondents in industry (55 percent in the construction industry and 42 percent in commerce) devote their full time to business; 51 percent are active only part of the time. If we have 360,000 private business entrepreneurs registered, then only 176,400 are devoting themselves to their enterprises on a regular basis.

[EKONOM] You have already mentioned the social situation. Could you attempt to say something about the outlook for the future?

[Krc] The recapitulation in the social sphere is generally quite unequivocal: Unemployment in Slovakia is higher than in the Czech Republic, both in absolute terms and in relative terms; the cost-of-living expenditures have stopped growing in both republics; and prices are increasing at growth rate differences of 1-2 percent. Thus, the situation is not deteriorating further. It will deteriorate if our estimates prove to be correct, that real unemployment in Slovakia grows by the end of the year to 380,000—then, a specific social differentiation would develop between the two republics. But the reforms will continue. It is only a question of whether it is possible to somehow alter its course. If this proves possible, some negatives could disappear. If a course change cannot be accomplished, negatives will intensify, but this is a matter that we as statisticians find difficult to decide—that depends on economic policy.

Industry: Cumulative Results for 1992

Economic Activity (Enterprise Method)	Index	
	Jul 92/Jul 91	Jan-Jul 92/Jan-Jul 91
Production of goods in thousands of Kcs in current prices for 1992	105.6	83.9
Including:		
Public ownership ¹	91.8	79.3
Cooperative ownership	90.3	76.7
Private ownership ²	251.7	208.8
Other	168.5	114.8
Average daily production in thousands of Kcs in current prices for 1992	101.0	82.8
Production of goods in thousands of Kcs in constant prices (1989)	103.2	79.6
Including:		
Public ownership	92.5	79.4
Cooperative ownership	90.6	76.7
Private ownership ²	238.8	207.8
Other	145.1	108.4
Workers—number of employees	87.7	88.6

Industry: Cumulative Results for 1992 (Continued)

Economic Activity (Enterprise Method)	Index	
	Jul 92/Jul 91	Jan-Jul 92/Jan-Jul 91
Including:		
Public ownership	83.8	84.0
Cooperative ownership	84.6	80.9
Private ownership ²	179.0	204.2
Other	137.8	143.1
Enterprises with 25 or more employees		
Average monthly wage in Kcs	123.2	117.8
Average wages in July 1992	4582	
Average wages Jan-Jul 1992	4296	

¹State and municipal ownership combined
²Includes international, foreign, and unidentified organizations

**Industry (Enterprises With 25 or More Employees)
Results in the Area of Manufacture and Sale of Goods**

Economic Activity	Index of Goods Production		Index of Product Sales	
	Jul 92/Jul 91	Jan-Jul 92/Jan-Jul 91	Jul 92/Jul 91	Jan-Jul 92/Jan-Jul 91
Extraction of mineral raw materials	77.0	81.3	89.7	73.2
Including:				
Extraction of energy raw materials	65.4	84.3	82.7	72.5
Mining of nonenergy raw materials	100.4	74.5	115.7	77.3
Processing industry	90.3	79.3	90.4	81.5
Including:				
Production of foods and gustatory items	82.4	82.5	81.7	90.0
Textile and clothing production	97.6	86.4	105.4	92.2
Production of hides and hide products	124.8	74.4	124.1	74.3
Production of wood products	100.7	76.2	84.8	80.9
Paper industry and polygraphic production	94.2	90.8	100.2	95.3
Production of coke, processing of petroleum, production of nuclear fuels	95.2	78.2	75.4	76.9
Production of chemical products and fibers	115.1	94.6	119.7	97.3
Production of rubber products	112.2	89.1	100.1	79.7
Production and processing of stone, earth products, and ceramic products	117.5	83.6	119.4	88.3
Production of metals and metal products	102.0	87.0	109.6	86.5
Production of machines and tools	67.5	60.2	64.7	62.1
Production of electrical and optical instruments	76.3	65.3	96.8	71.9
Production of transportation media	45.1	67.5	53.5	64.4
Production that is not categorized elsewhere	337.6	78.0	279.0	82.1
Production and distribution of electric energy, gas, water	117.6	93.1	72.2	89.3

**Results of Prosperity Research
Outlook of Industrial Enterprises Regarding Developments
in the Third Quarter of 1992
(in percent)**

a) Enterprise Economic Situation

Economic situation in	Worsening	Unchanged	Improving	Balance
1st quarter 92	42.4	55/5	2.1	-n40.3
2d quarter 92	12.0	74.0	14.0	+ 2.0
3d quarter 92	13.9	71.5	14.5	+ 0.6

b) Development of Demand

Demand Will Be	Lower	Equal	Higher	Balance
Total	20.9	61.5	17.6	- 3.3
At home	22.9	48.4	28.6	+ 5.7
Abroad	28.1	54.4	17.4	- 10.7

c) Development of Goods Production Volume

Sampling Period	Lower	Unchanged	Higher	Balance (in %)
1st quarter 92	30.4	39.0	30.6	+ 0.2
2d quarter 92	17.6	58.2	24.2	+ 6.6
3d quarter 92	40.8	30.9	28.2	- 12.6

d) Development of Sales

Sampling Period	Lower	Unchanged	Higher	Balance
1st quarter				
Sales (total)	35.7	45.0	19.3	+ 16.4
Including export sales	15.0	60.5	24.5	+ 9.5
2d quarter				
Sales (total)	20.5	55.5	24.0	+ 3.5
Including export sales	23.8	51.9	24.3	+ 0.5
3d quarter				
Sales (total)	20.4	52.6	27.0	+ 6.6
Including export sales	14.6	58.9	26.5	+ 11.9

e) Development of Prices of Finished Goods

Prices Will (in %)	Number of Enterprises ¹	Percent Share on Domestic Market
Decline	38	
By more than 21	2	0.1
By 11-20	2	0.2
By 1-10	34	8.8
Remain unchanged	213	63.0
Increase	96	
By 1-10	87	27.4
By 11-20	5	0.2
By 21-30	3	0.2
By 31 or more	1	0.1

¹Two respondents failed to reply.

**Results of Prosperity Research
Outlook of Construction Industry Enterprises
With Regard to Developments in the Third Quarter of 1992
(in percent)**

a) Development of Demand

Size Groups According to Number of Employees	Number of Enterprises in Percent (Considered on Basis of Volume of Construction Work)		
	Smaller	Equal	Larger
25-100	18.1	48.9	33.0
101-200	17.3	59.2	23.5
201-500	22.6	57.1	20.2
501-1,000	48.6	51.4	0.0
1,001-2,000	65.9	34.1	0.0
2,001 or more	0.0	0.0	100.0

b) Coverage of Production Capacity by Orders

Coverage of Production Capacities	Number of Enterprises	Number of Enterprises (in %) by	
		Number of Employees	Amount of Construction Work
For less than six months	59	29.2	22.1
For 6-12 months	67	45.6	40.0
For more than 12 months	15	25.3	37.9

c) Development of Volume of Construction Work in Accordance With Supplier Contracts

Volume of Construction Work According to Supplier	Contracts Will	Number of Enterprises (in %) by Number of Enterprises	
		Number of Employees	Volume of Construction Work
Decline by more than 11%	17	7.3	4.2
6-10%	11	10.8	17.1
1-5%	20	13.7	8.7
Remain unchanged	45	28.5	21.3
Increase by 1-5%	27	14.4	12.3
6-10%	14	5.7	6.0
More than 11%	7	19.6	30.4

d) Development of Prices for Work Produced

Enterprise Size by Number of Workers	Less Work Done	Number of Enterprises in Percent (Considered on Basis of Volume of Construction Work Performed)	
		Unchanged	More Work Done
25-100	0.6	62.4	37.0
101-200	15.1	65.3	19.6
201-500	10.5	47.8	41.7
501-1,000	51.4	29.3	19.2
1,001-2,000	0.0	100.0	0.0
2,001 or more	0.0	0.0	100.0

CSFR National Bank Report for First Half 1992

93CH0045B Prague HOSPODARSKE NOVINY in Czech 7 Oct 92 pp 8-9

[Unattributed article: "Extract From the Report by the CSFR National Bank Regarding Developments in the First Half of 1992"]

[Text] The CSFR National Bank recently submitted a report on developments during the first half of 1992. In the first part, the bank deals with the development of the

economy as a whole, something that has already been evaluated in the pages of HOSPODARSKE NOVINY. For our extract from the report, we have, therefore, selected the most substantial questions dealing with the financial banking sphere.

In the first half of 1992, monetary development progressed in harmony with the fundamental intentions of monetary policy. Of particular importance is the achieved stability of the purchasing power of the Czechoslovak koruna,

involving both domestic purchasing power, resulting from a low degree of inflation, and external purchasing power, attested to by the stability of the rate of exchange for the koruna with respect to a basket of convertible currencies.

**Structure of Monetary Basket (in Percent)
Used in Stabilizing the Rate of Exchange
for the Koruna**

U.S. dollars	49.07
French francs	2.92
Swiss francs	3.79
Austrian schillings	8.07
German marks	36.15

In view of the more favorable starting conditions for 1992, particularly as far as the development of inflation and the balance of payments are concerned, it was possible to fashion the 1992 monetary policies of the CSFR National Bank as early as the beginning of the year, so that it would be monetarily neutral. The pace of growth regarding the money supply (the so-called aggregate M2, which takes into account money in circulation, demand deposits, term-and-savings deposits, deposits in foreign currency) had been set within the monetary program to be in agreement with the pace of the nominal gross domestic product. For the year 1992, monetary policy thus abandoned its restrictive character and was established as neutral.

At the same time, the CSFR National Bank undertook additional changes in regard to monetary instruments, the purpose of which is the gradual transition from direct to indirect management of monetary policy.

One of the most significant steps in the area of perfecting and freeing up monetary instruments was the liberalization of interest policy (which became effective 1 April 1992). The abolishing of "interest rate ceilings" was connected with a lowering of the discount rate from 9.5 percent to 9 percent, with the goal of acting on lowering interest rates on loans, particularly for entrepreneurs.

As far as resources made available by the National Bank to other banks are concerned, the CSFR National Bank on 1 April 1992 abolished the outlines of short-term refinancing loans made at a discount, and expanded the use of auction-type refinancing credits. In June, the rediscounting of bills of exchange at discount rates was introduced, and, finally, the Lombard loan made in exchange for a firmly stipulated Lombard rate based on a pledge of a precisely identified group of securities was introduced.

Thus, the only administrative instrument retained in the monetary instrumentarium of the CSFR National Bank are the so-called loan ceilings. However, their significance is gradually declining. Limits are set for only selected large banks, and they do not include loans for privatization purposes, for discounting bills of exchange, or for purchases of state cash payment order vouchers.

Economic development has also made possible a certain liberalization of the system of internal convertibility with

respect to foreign exchange. The import surcharge on consumer goods was lowered to 10 percent for 1992; the limit on purchasing foreign exchange by the population was raised to 7,500 korunas [Kcs]. With a view to the composition of currencies used in foreign trade, the structure of the monetary currency basket was altered, effective 1 February 1992.

In listing the changes made in the instruments at the disposal of the banking system during the period under consideration, it is also necessary to mention the introduction of rules for the circumspect operation of banks in March of this year, the goal of which is to act upon the total recovery of the financial management of commercial banks and their stability and, thus, even act indirectly in support of asserting the monetary policy pursued by the National Bank. (These are rules for capital adequacy, liquidity, and loan involvement on the part of commercial banks.)

The development of inflation, the balance of payments, and the stability of the foreign exchange rate prove that the monetary policy is effective and that it is providing a fundamental framework for the reform and transformation processes in the economy, primarily by regulating the amount of money in circulation.

The total money supply during the course of the first half of this year grew gradually. Thus, the longer-term trend of growth in the money supply, which had been discernible since the end of 1989, continued. From the short-term standpoint—that is to say, the first half of 1992—the money supply grew gradually, and there were some more express increases in the second quarter of this year. The source of this growth was the issuance of loans to enterprises and the population, a higher degree of indebtedness on the part of the government in the banking sector, and, primarily, the influx of foreign resources. Overall, the money supply during this period increased, in comparison with the end of 1991, by 7.1 percent (Kcs49.8 billion); this increase was 1.5 percentage points higher than was the case during the same period of last year.

Developments in the monetary area also gradually led to an additional strengthening of confidence in the Czechoslovak currency. The decisive holder of monetary resources in the economy continues to be the population (59.6 percent of the total money supply). Toward the end of the year, the money supply held by the population increased by an additional 7.9 percent, and this increment was 2.5 percentage points lower than was the case in the enterprise sector. The population is holding its monetary assets primarily in the form of term and savings deposits and deposits in foreign currency. These deposits by the population are showing long-term growth. Term and savings deposits accounted for 50 percent of the total monetary resources held by the population as of 30 June 1992, and foreign currency deposits accounted for 8.9 percent. Deposits in foreign currencies increased during the period under consideration by 49.6 percent; koruna deposits rose by 4.6 percent. The source for foreign exchange deposits are higher incomes of the population for work done abroad and incomes resulting from tourism. Another source of

this increase was undoubtedly the purchase of foreign exchange for purposes of tourism. However, these purchases are not reaching the level they did for the same period last year and cannot, therefore, be considered as a manifestation of weakened confidence in the domestic currency. On balance, the inclination of the population to save did not weaken during the course of the period under consideration.

**Structure of Koruna Deposits
According to Individual Sectors
as of 30 June 1992
(in Percent)**

	Czech Republic	Slovak Republic
Enterprises and organizations	36.3	31.9
Private sector	10.6	10.8
Population at large	53.1	57.3

The amount of savings and the savings trend among the population has shown a constantly rising trend since the first half of last year. This year, the savings rate as of 30 June was 10.3 percent (the koruna savings rate was 6.2 percent), and the extent of the savings trend was 9.8 percent (in korunas, 5.2 percent). According to investigations conducted toward the end of June of this year, the principal motivation behind the lasting inclination of the population to save continues to be the creation of financial reserves, particularly in conjunction with the existence of unemployment (59.7 percent of respondents) and saving for the children (21.5 percent of the respondents).

The generally growing deposits made by the enterprise sphere are also playing an important role in the development of savings. Deposits made by the private sector are rising, and deposits made by cooperatives and enterprises are declining at the same time. As of 30 June 1992, deposits made by the private sector already represent 10 percent of the total money supply, which is only 2.1 percentage points less than the share accounted for by the state sector and 8.4 percent more than the share accounted for by the cooperative sector.

The total issuance of bank loans in the first half of 1992 increased. Loans made to businesses and to the population rose, and loans made to government facilities declined. This trend is discernible on the basis of the comparison between the first and second quarters. Net loans to the government in the first three months of the year declined and then rose again. Loans made to businesses rose during both quarters; in the second quarter, they were rising even more quickly than in the first quarter. A still more detailed glance at the structure of loans shows that, in the first half of 1992, loans made to enterprises and the population (after eliminating debt) rose by 6.6 percent (Kcs46.1 billion), and loans made to the private sector rose by 95.4 percent (Kcs61.5 billion).

**Share of Loans Made to the
State and Private Sectors
(in Percent)**

	State Sector	Private Sector
Jan 1992	66.6	8.9
Mar 1992	64.7	11.9
Jun 1992	60.2	16.9

This development attests to the growing confidence of the banks with regard to private business and the support resulting from this confidence. The growth of loans for privatization purposes is also specific. During the first half of this year, such loans increased by 62.5 percent, and, as of 30 June 1992, had reached the level of Kcs29.6 billion.

**Loans for Privatization Purposes
(Total and Including Those Made for
Small-Scale Privatization Purposes)
(in Billions of Kcs)**

	Total Loans	Loans Made for Small-Scale Privati- zation Purposes
31 Dec 1991	18.2	18.2
31 Mar 1992	24.0	23.9
30 Jun 1992	29.6	28.3

The majority of privatization loans (according to the status on 30 June 1992) are medium-term loans (65 percent); some 30 percent are long-term loans, and short-term loans for privatization purposes account for 5 percent. As far as the allocation of loans to individual branches of the economy is concerned, the first half of this year saw an increase of 10.7 percent in loans for development and the construction industry, for example. In the textile, clothing, and fur industries, loans increased by 34.3 percent, and in the area of commerce and sales and the hotel and restaurant and housing industries, they rose by 3.4 percent. In contrast, loans in metallurgy and engineering declined by 6.6 percent; loans in the production and distribution of electric energy, gas, and water declined by 2 percent; and so forth.

From the standpoint of the time structure of loans made to enterprises and the population, a trend toward a declining share of long-term loans in the overall structure of loans has been asserting itself since last year.

**Structure of Loans Made to Enterprises
and the Population
(in Percent)**

Loans	31 Dec 91	31 Mar 92	30 Jun 92
Short-term	38.8	39.4	39.4
Medium-term	18.4	19.3	20.8
Long-term	42.8	41.3	39.8

During the first half of this year, medium-term loans grew at the fastest pace (+ 20.5 percent), particularly in the

form of loans for privatization purposes (+ 49.6 percent) and those for investment purposes (+ 22.2 percent).

State indebtedness with respect to the banking sector declined during the first half of 1992. In contrast to previous years, temporary deficits in the state budgets are no longer covered by a direct automatic loan made by the National Bank. As a result of the new law on the State Bank of Czechoslovakia (Law No. 22/1992 Sb. [Collection of Laws]), the individual ministries of finance are issuing state cash vouchers as of February 1992 and are financing short-term deficits (arising as a result of the time discrepancy between revenues and expenditures) out of resources based on the sale of such vouchers (for the most part, to commercial banks at interest rates determined at the auction).

As of 30 June 1992, after excluding the influence of foreign loans, the net credits made available to the government show a decline by Kcs2.9 billion compared to the end of 1991. This result is influenced by the surpluses in the current and property management of municipal budgets and by drawing on foreign loans (during the first half, this amount was Kcs11.7 billion).

A favorable development in the balance of payments means that, by the end of the first half of 1992, the state's foreign exchange position was further strengthened, and this occurred to a greater extent than had been anticipated by the monetary program. This development is a result of the following, in particular:

- The persistent lower demand for investments, imports, and foreign exchange for these purposes.
- Efforts by enterprises to make up for inadequate demand by increasing exports.
- The foreign exchange rate, which stimulates exports.
- The influx of foreign capital in the form of official loans.

In the first half of 1992, the current account of the balance of payments showed a surplus of Kcs23.8 billion (\$826 million). Decisive influence on this development is exerted by the predominance of exports over imports (an active balance of trade) as well as by the growing surplus of income over expenditures in the travel industry. Here, revenues for the first half amounted to Kcs12.9 billion (\$448 million), with the increase in the second quarter being virtually double that of the first quarter. Income based on the transfer of wages of Czechoslovak citizens for work performed abroad, which is included in the balance of revenue, is also growing.

The balance of the capital account of the balance of payments in the first half of 1992 represents a net outflow of resources to foreign countries at a level of Kcs1,542 million (\$54 million). This outflow is a result of the movement of short-term capital and, particularly, the growth in short-term assets of commercial banks that deposit the previously mentioned surpluses in the current account abroad. (These short-term surpluses of banks grew

by Kcs27.6 billion—that is, by \$900 million.) The movement of bank capital has led to a substantial improvement in the foreign exchange position enjoyed by commercial banks.

The semiannual status of the capital account is also influenced by the drawing down of long-term resources from abroad in the form of official credit assistance received from international financial institutions and as a result of increases in direct investments made by foreign investors. On the basis of previously concluded agreements, long-term credits were drawn from the International Monetary Fund ("the petroleum" draw of \$96 million; additional draws on the "standby" credit of \$161 million) and from the SB [expansion unknown] (Eximbank provided \$102 million; the second SAL [expansion unknown] draw of \$52 million). The European Community provided \$232 million, and the G-24 provided \$43 million. Overall, in the first half of 1992, \$686 million were drawn down from these loans. In view of the adequate amount of disposable foreign exchange resources, the proceeds from the above loans were directed into the foreign exchange reserves maintained by the CSFR National Bank. These reserves were thus increased during the first half by \$800 million to \$2.1 billion, which is a level that would be adequate to cover virtually three months' worth of imports. The gross reserves of the banking system increased by \$1,635 million—to \$4,925 million—and the debt balance of the system's foreign exchange position (this is understood to be the difference between the total foreign exchange assets and liabilities of the banking system) declined by \$615 million during the first quarter and by \$426 million during the second quarter.

The influx of foreign capital in the form of direct investments was substantially more accelerated when compared to last year; during the first quarter, this form of investment accounted for 74 percent of last year's total annual amount. On the other hand, in comparison with the first quarter of this year, there was a certain amount of stagnation (during the first quarter, investments amounted to \$232 million and, in the second quarter, to \$211 million—that is, 9 percent less), which is reflected, for example, even by the deferring of negotiations involving some firms such as Mercedes, Renault, and Rhone Poulenc. The average monthly influx of direct investments during the first half of this year amounted to \$74 million (in Hungary, this figure amounts to approximately \$100 million).

After the decline of gross indebtedness in the first quarter of 1992 (by \$508 million), the second quarter recorded an increase in this indebtedness by \$924.2 million to \$9,781.2 million.

This level approximately represents a whole year of exports. The increase in indebtedness had to do with the above-mentioned drawdown of financial loans. Approximately 77 percent of gross indebtedness today is made up of long-term obligations. The predominant majority of new financial credits comes due in five, seven, and 15 years and thus constitutes a burden upon debt service that

extends beyond 1995, when the volume of payoff payments is not high in individual years.

In contrast to the growing gross indebtedness, a favorable trend continued with respect to net indebtedness (including direct foreign investments), which had begun the year before. Compared with the status at the end of 1991 (net indebtedness of \$692.7 million), the first half of this year saw a transition to a positive (creditor) balance in the amount of + \$796.8 million.

Turnover in the balance of payments during the first half of this year, realized in terms of nonconvertible currencies, declined sharply. During the current period, this involves primarily imports of natural gas from Russia to pay off a state credit. These deliveries are also the principal reason for the negative Czechoslovak balance of trade with respect to Russia, which amounts to Kcs4.5 billion (approximately \$157 million).

There was not a more fundamental turnaround in the problem involving the solving of unpaid Czechoslovak bank and enterprise claims. Regarding the relationship with countries of the Commonwealth of Independent States, the Russian side is admitting its indebtedness, but, on the other hand, it is possible to anticipate payments of only approximately \$50 million for this year, as well as payment of some of the enterprise claims for deliveries made in 1991 outside of the framework of the agreement and outside of any payment guarantees. The anticipated recapitalization of Czechoslovak claims in the amount as high as \$100 million will be difficult to fill with projects of Czechoslovak enterprises and will be primarily concentrated on investments in the chemical industry (Spolana Neratovice).

The embargo involving Serbia and Bosnia-Herzegovina will most likely influence the fulfillment of previously

concluded agreements on the settlement of Czechoslovak bank claims in the amount of \$104 million by the end of 1993.

The monetary situation is expressly influenced by the management of state budgets. A summary of state budgets has indicated, halfway through the year, that there is a surplus of Kcs4 billion (not counting the issuance of state cash vouchers). The state budget of the Czech Republic ended up with a half-year surplus of Kcs6.1 billion; the budgets of the federation and of the Slovak Republic suffered a deficit of Kcs2 billion and Kcs100 million, respectively.

The fact that, as of 31 March 1992, the surplus in the current management total of the state budgets dropped by Kcs5.7 billion, and a look at the development of the balance of budgetary revenues and expenditures within that period (that is to say, excluding the cumulative total of the various months or quarters), indicates the presence of rising tension between revenues and expenditures. This tension is based primarily on the inadequate creation of revenues, and is the reason the budgetary balance must be assured by strict regulation of expenditures; at the end of the quarter, some of the budgetary expenditures were sequestered, which will result in a budget deficit in the very first days of the new quarter. The stabilizing element in the budgetary system in this situation is turning out to be the surpluses in the current and property management of municipal budgets. In the first half of 1992, the Ministries of Finance recorded a total of 15 issuances of state cash vouchers, five of which were handled by the Federal Ministry of Finance (Kcs15.7 billion). Four were handled by the Ministry of Finance of the Czech Republic (Kcs38 billion), and six were handled by the Ministry of Finance of the Slovak Republic (Kcs12.5 billion). There was considerable interest in the state cash vouchers. Their interest rates ranged between 6.11 percent and 12.66 percent.

Monetary Income and Expenditures of the Population

For Jan-Jun		Changes, in Percent			
Balance of Monetary Incomes and Expenditures for Population	Actual, Jan-Jun 92, in billions of Kcs	Jun 92	1990	1991	1992
Monetary income	315.7	21.2	5.1	8.6	20.3
Including:					
Income from wages	162.8	6.9	2.2	2.0	10.8
From agricultural cooperatives and based on bulk buying	10.3	- 8.9	6.0	- 25.5	- 8.0
Social income	62.4	25.5	2.1	17.8	8.9
Other income	80.2	62.3	24.5	38.4	70.4
Monetary expenditures	296.0	18.3	7.2	10.5	14.1
Including:					
Retail purchases	167.0	22.4	7.5	3.5	5.4
Expenditures for services	41.5	10.5	5.3	19.2	7.4
Other expenditures	87.5	13.6	7.7	26.5	40.3

In the money market, there was considerable demand during the first half of this year for credits, particularly on the part of the developing private sector and state enterprises. The situation was also influenced by the express influx of monetary resources from abroad. The CSFR National Bank reacted to this development by restricting domestic resources intended to create money, primarily by restricting the extent of making refinancing loans available. The financial positions of individual commercial banks were quite varied. Some large banks already had excessive reserves from the beginning and were essentially not dependent on the refinancing resources offered by the National Bank. The majority of the smaller banks, on the other hand, drew their refinancing credits as a fundamental component of their resources.

The auction of one-month and three-month refinancing credits was introduced into the system. Restricting the extent of refinancing in the given situation led to an increase in interest rates for refinancing loans (the interest rate of one-month loans was as high as 11.46 percent and that for three-month loans had risen to 12.04 percent by the end of June). At the same time, the banks were left with the opportunity to draw daily refinancing loans (for one to seven days). Here, the interest rate was gradually increased in line with the growing interest by the banks and, as of 30 June of this year, amounted to 11.7 percent). In this situation, the interbank deposit interest rates also grew to a relatively high level. (As of 30 June 1992, the overall average interest rate on interbank deposits was 12.24 percent, including an interest rate of 16.02 percent on long-term deposits.)

Average interest rates on loans made available by commercial banks during the period under consideration rose slightly (+ 0.17 percentage point). It is clear that this development was caused by the persistently high demand for loans and by the risky nature of the credit business. The growth of interest rates was facilitated by their liberalization. However, this is not fundamental growth, and it can therefore be stated that the initial "unliberalized" interest rates already included a relatively realistic evaluation of the measure of demand for loans and the measure of risk.

In view of the extent of trades accomplished in the Czechoslovak capital market and because of their forms, the first half of 1992 was undoubtedly of importance to the further development of this market. Apart from the above-mentioned changes in the system of refinancing, of issuing cash vouchers and state bonds, the CSFR National Bank began to operate in the open market in March of this year and, in May, introduced the fixing of interest rates in the interbank money market (the daily monitoring of interbank interest rates involving five selected commercial banks, interest rates with maturities ranging from one day to one year).

The development of trading in the capital market (for the time being, the secondary market in securities, established by the National Bank) during the first half of 1992 was

characterized by a sharp rise in the demand for securities, particularly the 5-percent state bonds. The price of these bonds gradually rose from 64.4 percent to 68.3 percent. These were essentially the most advantageous investments in this market, the proceeds from which, in terms of paying off the bonds, represented 16.83 percent in June and, moreover, are not taxable. Other securities traded were bonds of the Bank of Commerce, of the General Credit Bank, and of TOS [Machine Tool Factories] at Kurim. The number of tradable securities was expanded in the first half of this year by both republic ministries of finance as a result of the issuance of state bonds to cover comprehensive housing construction. In the Czech Republic, primary sales involved bonds worth Kcs5.6 billion, and six trades have already been accomplished in the secondary market in the Slovak Republic—the total volume of new issues was to achieve a value of Kcs4.2 billion. Despite the above-listed changes, the number of tradable securities and the extent of the trades realized in the capital market are not significant for the time being. The secondary market tends to play more of an educational and a testing role.

The interbank foreign exchange market is a fundamental mechanism of the system of internal convertibility for the Czechoslovak koruna, even in 1992. During the first half of this year, the number of banks participating in the market was expanded (to a total of 19), and the volume of trades increased. On the other hand, interventions undertaken by the CSFR National Bank in this market declined.

According to the rules of foreign exchange liquidity, the participating banks can work with foreign exchange assets and liabilities, the ratio of which covers a span of 0.85-1.05. In the event this ratio declines below the lower limit, the commercial bank will purchase foreign exchange; on the other hand, it is obligated to sell foreign exchange as long as its foreign exchange assets are high and their ratio with respect to liabilities exceeds the limit of 1.05. Trades between commercial banks and the National Bank within the stipulated time limit are conducted at the official buying and selling exchange rate for the Czechoslovak koruna (published daily), within a span of plus or minus 0.5 percent from the median foreign exchange rate.

In April 1992, another new instrument was introduced in trading—the so-called swap operation. This makes it possible for banks to provide new services to their clients in the foreign exchange area. In May 1992, the rules for trading were adjusted to make it possible for the participating banks to realize trades among each other without restriction at the agreed-upon rates of exchange.

In 1991, the CSFR National Bank issued a banking license to 39 commercial banks. During the first half of 1992, this permission was granted to another 11 banks, nine of which are stock corporations (six were established with only Czechoslovak capital, one with foreign property participation, two as subsidiaries of foreign banks). Two foreign banks received this permission for

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their branch offices. At the same time, during this period, there were changes in the statutes of the Bay-erische Vereinsbank CSFR, a.s., which was changed to a branch office of the Munich-based bank.

The structure of bank operations (this is understood to mean banks that have received permission to operate as banks and includes those that had not yet begun operations by the listed date) in the CSFR was the following, as of 30 June 1992:

- Three state monetary institutions (the Consolidation Bank, the Slovak Guarantee Bank, the Slovak State Savings Bank).
- Twenty-eight banks operating with Czechoslovak capital.
- Seven banks having foreign capital participation.
- Nine banks that operate 100 percent with foreign capital.
- Three branches of foreign banks.

Suchocka on Government Priorities, Reforms

93EP0035A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 42, 18 Oct 92 pp 1, 5

[Interview with Prime Minister Hanna Suchocka by Agnieszka Metelska; place and date not given: "Love of Neighbor Is Unknown in Politics"; BGW will publish the interview in a book by A. Metelska and E. Nowakowska entitled *Gdzie diabel nie moze (Where the Devil Cannot)*]

[Text] [Metelska] When your government took over, you began with a very elegant gesture by stating that you would not criticize your predecessors but would treat your time in power as a continuation of the work begun by previous teams. Hasn't that noble stance worked against your government?

[Suchocka] Unfortunately, politics has little in common with love of neighbor. When people are beating up on you, it is hard to fill your mouth with water and turn the other cheek.

[Metelska] Jacek Soska of the PSL [Polish Peasant Party] assessed your Sejm expose in these words: "Nicely done, for a woman." Aleksander Hall was also satisfied because he found "a right-wing spirit" in your remarks, and a LE MONDE commentator said that the government was going back to the economic and democratic priorities from the time of the first post-Solidarity governments: stabilizing the economy, fighting inflation, and accelerating privatization. Your expose restored the dramatic sense of the situation in which the coalition making up the government found itself. In the first part of your address you emphasized the government's care, but the second part began with the statement that the time for discussion had come to an end and that people should ask not what Poland could give them but what they could give Poland. How can you maintain minimum security for citizens conducting reforms that are bound to upset that security?

[Suchocka] This problem has existed ever since the introduction of the reform in Poland. In my native Poznan, I presented five priorities for my government: to fix the state enterprises, to create conditions for agricultural production, to ensure that our country was just and safe, to place public finances on a sound footing, and to develop good social policy. Much in social attitudes depends on how quickly the reforms are implemented and whether they are effective. There are matters that can be handled quickly, such as taking the next step in reforming the self-governing bodies, but there are also those that take more time. Not even the very best regulations can take care of the important problem of social welfare.

[Metelska] Your Cabinet has been accused of not having any genuine, cohesive economic program. The government responded by proposing social contracts. Are the problems of social and economic policy to be resolved through agreements rather than through parliamentary means? Is this not one more great myth and a waste of time?

[Suchocka] I support the proposal for social pacts. The society is showing faint interest in the reforms. This is partly because of the conviction that the average citizen

has no impact on the changes in the country. The agreements are an attempt for the authorities to come out to the people, so that they can feel that the government does not want to do anything behind their backs. We are going to enter into successive partial agreements on various important subjects and go step by step from one concrete measure to another.

[Metelska] Will it be up to the Sejm to make the final decisions?

[Suchocka] Or up to the government, if it were to receive special authorization.

[Metelska] Are you an advocate of special powers for the government?

[Suchocka] Back in the Sejm, when I was a deputy, I considered it necessary to have what is called a quick legislative track. I used Spain as an example. There are dozens of laws waiting in the Sejm. Some of them were inherited from the previous term. In addition, there is the bad practice of bringing up several draft bills on the same subject. All of this blocks the legislative path and immobilizes the government. Following initial consultation with the trade unions, my government prepared over a dozen draft bills, which will be sent on to the Sejm. It will take months for laws to be ultimately passed on these matters, and who will get the blame? The government, which will be accused of not doing anything.

[Metelska] There is a sense of responsibility that comes through in this interview. It was that sense of responsibility that made you a candidate for prime minister. The social pacts are to awaken a civic sense of responsibility. But how can sound judgment be restored to the parliament? Shouldn't the parliamentary opposition be aware of its responsibility to the country?

[Suchocka] I am in absolute agreement with you. The opposition attacks the government without proposing any alternative. The deputies' numerous displays of oratory are simply to win over the voters. That is irresponsible and poses a serious threat to the country. There was recently a government assessment on the question of whether to grant Jan Krzysztof Bielecki's cabinet a vote of acceptance of accounts. It has been a year since that government was in power! More games. What is the object of all of this?

[Metelska] As prime minister, aren't you too inclined to take any statement that does not fit your government's designs as an attack on the state?

[Suchocka] Not at all. I try to take an objective look at the Polish situation, not because I am prime minister. Any careful observer of the events in our country knows the difficulties in mounting a coalition. Olszewski found it difficult to form a government. Pawlak hardly had such an opportunity. Since a parliamentary majority capable of forming a government has come into being and a Cabinet has been formed, that government should be permitted to act. Isn't that a reasonable point of view? Especially since there is no possibility of a parliamentary majority in the present situation.

[Metelska] Lech Walesa said at the Gdansk Shipyards that he would move in the country along with the workers, unless your government produces results within six months. Do you feel threatened?

[Suchocka] If I were to indicate the direction from which my government were to be threatened, I surely would not pick Belweder. Lech Walesa has a special way of expressing himself. That statement of his that you quoted is characteristic of him. Like me, he is undoubtedly afraid that parliament will be irresponsible. Lech Walesa came up with a program for Poland, and we established the need for mutual discussion in order to resolve the country's problems.

[Metelska] What phenomena in Poland make you optimistic?

[Suchocka] The private sector in Poland employs the most people, compared to other postcommunist countries. The race to catch up with Europe is most visible in small industry and in trade. Gone are the huge gray halls with the empty shelves, symbols of times past. They have been replaced by colorful, bright shops full of goods. Poles are enterprising people. This quality of theirs may insure success.

[Metelska] You upset people in your native Greater Poland area. In Poznan, where ideas of regionalism are very strong, you said that Poland could not afford regionalism.

[Suchocka] As a woman from Greater Poland, I have a weakness for regionalism, but, as prime minister, I have to think about all of Poland. It would be difficult to describe just where the boundary is between one region and another. Such a division would simply not be possible in the eastern part of Poland. There are so many tensions in the country. Why do we need more feuds? This is not a good moment for regionalism. The self-government bodies can promote local activity.

[Metelska] You have referred to civil rights many times in your addresses before the Sejm. You have said that the individual's position over the group's is fundamental, that the Constitution's key idea must be none other than respect for human dignity and providing for the broad development of the human person, but, at the same time, you came out against permitting abortion. Doesn't this position drastically limit a woman's freedom to choose?

[Suchocka] There are situations where one cannot take such a strong stand for freedom of choice. In terms of the Catholic world view, the most important thing is to protect life. Choices based on this principle are unequivocal. Because I am a Catholic, my stand prohibits abortion. In the realm of values, there are certain limits that cannot be exceeded.

[Metelska] Various concepts for Poland in the future are in conflict with one another, creating great room for controversy. There is great emotion over the phrase "Christian values." Should it be put into the Constitution? Does it belong in the education law? As a Catholic, you have

consistently come out in favor of it. Are you an advocate of a Poland that is liberal-democratic or Christian-nationalist?

[Suchocka] Christian values are the nucleus of universal values, but this fact obviously should not become the basis for religious indoctrination. It is difficult to say what the future shape of Poland will be. These two trends you mentioned are trying to make an impact in Poland. I am surprised at the reaction to certain issues in this country, where Catholics make up 90 percent of the population, such as the protests against teaching religion instead of ethics in the schools. Could it be that the root of much of this dissent is the desire to show how independent and European we are? After all, religion has been one of the subjects taught in the schools in Germany and Scandinavia for a long time.

[Metelska] You have sacrificed your parliamentary ambitions to take over the duties of prime minister. Was it worth it?

[Suchocka] Never in my life did I dream of being prime minister. I felt very good at international meetings, where I presented Poland's case. Since I've been prime minister, I have had to suspend my parliamentary activity. I am losing my scholarly and political contacts there. I have lost a very attractive life, full of foreign trips and great freedom. To be honest, I am sorry about that.

[Metelska] In your work, you must be well aware that the honeymoon period of society's trusting the government is waning because, after all, you have to make decisions that are unpopular.

[Suchocka] Demands, accusations, criticism. They are all a part of our daily life in government. As prime minister, I know that the decisions I make always interfere with the interests of one group or another.

[Metelska] What made you agree to carry out these duties?

[Suchocka] The same thing that made me agree to take them on—a sense of responsibility.

[Box, p 5]

Excerpt From Sejm Address of 9 October 1992

Our national income should double during the next 10 years. I want to point out the seven basic conditions necessary to achieve this goal:

- The government should establish and implement policies that provide for security, stable management, respect for property, and employee rights (...).
- For the first five years, at least half of all growth in the national product should be earmarked for investments and not more than half for increased consumption.
- An influx of foreign capital is essential.
- Incentives for domestic and foreign firms should be established.
- There should be a clear reduction in the foreign debt burden.

- We must build a lasting social peace.
- We must take courage and have faith in our own strength. Then, fortune will smile on us.

Reforms in Office of Council of Ministers

93EP0029A Warsaw POLITYKA in Polish
No 41, 10 Oct 92 p 7

[Interview with Jan Maria Rokita, chief of the Office of Council of Ministers, by Janina Paradowska and Jerzy Baczyński; place and date not given: "Put Out That Light"]

[Text] [POLITYKA] We remember a few of your critical statements regarding the office of which you are now chief. What did you find here after you assumed the function?

[Rokita] I became chief of the Office of Council of Ministers (URM) in the middle of July, and the critical remarks I made at that time still stand. There is a potentially vast amount of authority concentrated in this office, greater than I had expected. At the same time, no instruments have been created that would allow this authority to be put to real use. The person who assumes this office either becomes content with the enormous scope of his area of responsibility and the awareness that, whenever he wishes to, he can effectively intervene in various areas of the state's activities, confining himself to the function of the prime minister's first adviser, or, if he wants to take advantage of his authority, finds himself tremendously frustrated.

[POLITYKA] You mentioned a lack of instruments.... What kind?

[Rokita] This can best be explained by citing examples. The first one: The prime minister conducts a large part of the country's foreign policy, in which, theoretically, he should receive support from this office. The prime minister receives foreign visitors and makes visits abroad and should be properly prepared for this. Thus far, in URM, one person did this, a person employed in the prime minister's Cabinet. The authority of this person can be compared with the authority of the entire Ministry of Foreign Affairs (MSZ) because that person, by delivering the right note at the right moment, can determine the shape of Polish foreign policy.

Another example: the URM Public Administration Bureau exercises supervision over 204 schools that train cadres for public administration. URM is responsible for the program, for substantive supervision, for the competence of the teachers, and so forth. Thus, it is something on the order of a superintendent's office. In practice, one person supervises these 204 schools.

Further, the prime minister is responsible for coordinating the work of the respective ministries. Yet the URM bureaus, which could do this coordinating (which requires at least a cursory knowledge about the decisions of the ministries), employ about 20 people, almost exclusively technical administration employees. When an opinion has to be expressed on some concrete matter, a frantic search is

made in this building for someone who has had some contact with it and has an opinion on it. And, after all, all kinds of institutions turn to the prime minister every day, plus private individuals, to say nothing about hundreds of deputies, and these people rightly expect that a position will be taken on one issue or another. How can this be done if there is no one to do it?

[POLITYKA] After two months of working in URM, have you determined what lies within the purview of this superministry?

[Rokita] I am, I hope, in the final phase of this determination. After a preliminary reordering of this institution's statute, it appears that there are several separate departments here, actually ministries. First, we have the substantive office of the prime minister, in which the work of all of the ministries should be coordinated and evaluated on a current basis. Second, URM includes the ministry of public administration, which is responsible for three things simultaneously: the management of the government administration in 49 voivodships; the execution of the powers of the government in relation to the territorial self-managements; and responsibility for reform of public administration. The third sector can, in fact, be called the Ministry of Information (the Goverment Press Office, the prime minister's spokesman, the section that analyzes the social situation, opinion polls, supervision over the state informational sector: the Polish Press Agency (PAP), the Polish Information Agency (PAI), the Public Opinion Research Center (CBOS), the Committee on Radio and Television, and so forth.). The fourth element, the Chancellery of the Council of Ministers, law offices, and the presidium, the system of interministerial coordination, the Council of Ministers' staff, and two permanent Council committees. The fifth department is the actual Office of the Council of Ministers—that is, the government's technical facilities: transportation, protection, communication, the huge ancillary complex, whose economic status I have not yet been able to determine, the reception office, the centers, government hotels, and so forth.

To these main sectors, at various times, other institutions and areas of responsibility were chaotically and randomly added: responsibility for policy in relation to Polonia, the relationship between the state and the churches (the Bureau for Denominational Affairs), responsibility for the withdrawal of post-Soviet troops from Poland (the representative's office), supervision over foundations and over the Stock Exchange Center in the former Central Committee building, responsibility for policy in relation to youth, family, women... My memory is limited....

[POLITYKA] Have you already begun to tidy up this mess?

[Rokita] I had to. This preliminary organizational division, which I outlined to you, is already the result of putting the structure of URM in order, separating various departments and assigning deputy ministers or general directors to head them, people who have an area of responsibility commensurate with those of independent ministers, often greater than members of the government.

[POLITYKA] We request, therefore, that you give us the names of these ministers because we have the impression that they are not generally known. Who, for example, is the minister of public administration in Poland?

[Rokita] In precisely this case, the matter is more complicated because I divided the entire administrative department into two sections: current management and reform. The section dealing with reform of public administration is directed by Prof. Michal Kulesza, and the general director of URM, Miroslaw Stec, is responsible for the current functioning of government administration and supervision over the self-managements. The minister of information is Jerzy Kozminski, and the chief of the Prime Minister's Office is Tadeusz Syryjczyk. URM itself is managed by general director Robert Karwowski and the Chancellery of the Council of Ministers by Kazimierz Malecki, secretary of state. The Bureau of Denominational Affairs and the Office of the Representative for the Withdrawal of Russian Troops remains under my direct control. However, I put a "hatchet man" minister over all of the rest of the URM jurisdiction, and, for several weeks already, this has been Piotr Stachanczyk.

[POLITYKA] How many ministers are from Krakow? Has there been a Krakow "assault landing" on URM?

[Rokita] Only two: Syryjczyk and Stachanczyk.

[POLITYKA] Mr. Minister, what else do you intend to do with this office—expand the individual "ministries" or slowly get rid of them?

[Rokita] First, within URM, I want to create these already separated departments, operating as efficiently as possible, with their own substantive apparatus, then, through evolution, cut the ties that bind them so that, in the future, each of them can become an autonomously functioning institution. I am convinced that every one of these institutions must exist; they are of fundamental importance to the state. However, insofar as all of the rest of them are concerned, those that Minister Stachanczyk is in charge of, after a thorough review we will either eliminate the offices, transfer them to other ministries, or delegate their tasks to institutions outside the government.

[POLITYKA] Does this mean that eventually new ministries may be formed from URM?

[Rokita] A reply to that would be premature. We must decide as to the concept itself of how the center of the state should function. For example, should the office of the prime minister be the way it is in Great Britain—that is, built around the person who is head of the government—or, for example, should it duplicate the structure of all of the ministries, such as in the FRG Chancellor's Office? The Polish model, I believe, must take into account the fact that we have a parliamentary-presidential system, which means that a chancellor's office cannot be built around the prime minister. But, on the other hand, in the foreseeable future, we will have to live with coalition cabinets. This, in turn, requires that the political and

executive position of the prime minister must be strengthened so that successive cabinets do not fall apart from within.

[POLITYKA] According to your description, the center of the state is not very functional and requires comprehensive reform. And what is the state of government administration in the outlying areas?

[Rokita] Obviously, it is no better. But I do not believe in improving this administration without making radical, revolutionary cuts in its area of responsibility. Poland, from this standpoint, is a sick country, and doubly so. First, there is probably no issue that is under the purview of only one government institution. Normally, every problem belongs to the sphere of operation of four or five organs, each of which conducts its own policy. In view of the overlapping jurisdictions, the difficulty of coordinating administrative actions is so enormous it is a task not worth undertaking. And there is a second sickness: Poland, despite existing territorial self-management, is a country that is extremely centralized, on a scale rarely seen in contemporary democratic states. The change in the system did not weaken this centralism; on the contrary, the tendency grows.

Here is an example I recently encountered. It concerns a conflict between the governors of Warsaw and the Ministry of Transportation in regard to the lighting on Marszałkowska St. In the present administrative system, this dispute can be settled only by a direct decision of the prime minister. Marszałkowska, as a state road, is under the purview of the minister of transportation, but Hoza St., which intersects it, is under the self-management authorities. Thus, the lamppost at the intersection of these streets also stands at the intersection of the purview of two administrations, and we do not know who is supposed to pay for the lighting. Really, the only solution would be to put out the light because that would be the simplest way of solving a big political problem.

This, then, is a structural sickness, which cannot be cured by piecemeal methods.

[POLITYKA] Referring to the example of the street lamp, would it not be better to turn it over to the local self-management?

[Rokita] Precisely. We must, as I said, trim the jurisdiction of the government administration; hence, the notion of instituting another self-management level—that is, the administrative district. Otherwise, how will I be able to get rid of the sections in the Ministry of Health that now manage the regional hospitals, or reduce the government's supervision over schools, roads, and a hundred other matters that should be settled at the local level?

[POLITYKA] Is there some kind of calendar for applying this administrative district reform?

[Rokita] In 1993, a new model of central government must be shaped; in that year, a concept of district reform should be completed so that new self-management administrative districts could begin to function in 1994. It think that, by the middle of next year, by virtue of an experiment, a

certain number of city (urban) districts could already be formed because the gmina self-managements in the larger cities are already ready to assume the tasks of districts.

[POLITYKA] We have talked thus far about the structure of the state administration, that it is centralized, chaotic, choked, but isn't the state administration also too "politicized"? We recall that, during all of the coalition talks, the disputes pertained not only to the division of ministerial portfolios but also to the position of the voivodes. What kind of voivodes do we have today?

[Rokita] From my two-month contacts with voivodes, I can say that the average level of voivodes is good, despite the fact that these positions were being torn apart by fierce political haggling. It is tragic that nothing has been done in the past to create some kind of objective system for evaluating voivodes (which is not so complicated a thing, and we want to institute such a system soon). On the other hand, neither do we have a mechanism for selecting candidates for administrative positions. Insofar as an evaluation of a voivode is concerned, every prime minister thus far had to rely principally on collections of negative reports, mainly because he had no other material. On the other hand, in choosing candidates, he had to depend on suggestions from local political parties, or his own friends because he had no other mechanisms of selection. That is the entire hellish system I am trying to change.

[POLITYKA] But right now you must yield to political pressure insofar as filling voivodship positions is concerned?

[Rokita] Of course. Particularly in the Sejm, this lobbying is very strong and sometimes even aggressive. I remember that once, in a 30-40 meter stretch between the Sejm gate and the doors of the Democratic Union Club, requests were handed to me, asking me to remove five voivodes. I am not complaining about that. How can I counteract these pressures? Well, with their own resoluteness and the prime minister's support for the idea of building a credible and competent state administration. Maybe that sounds a little arrogant, but I know what I wanted to accomplish when I came here.

[POLITYKA] Does your idea of administration reform also include a change in the present administrative division of the country—that is, a reduction in the number of voivodships? This matter arouses a great deal of emotion every once in a while.

[Rokita] If we want to form self-management administrative districts in an organic way, from the bottom up, then we must assume in advance that their boundaries will not coincide with the present boundaries of the voivodships. But, if there must be revisions, then the thought occurs that we should at the same time, in accordance with many demands, go further and form larger voivodships. My position on this is cautiously favorable: an administrative district structure would require larger voivodships, but there is no way this operation can be done without broad political agreement. On the other hand, I believe that plans to rapidly regionalize the country—that is, make several

large territorial units in place of voivodships—are completely unrealistic. This idea would exacerbate the disputes and internal conflicts in a way that is entirely artificial and damaging. Therefore, to revising the administrative division, yes; to creating larger voivodships, yes, with a question mark; to regionalization, no.

[POLITYKA] We constantly return to the question of enlarging the area of responsibility of local self-managements and the decentralization of the state. Where do you see these enthusiasts of self-management reform who are burning to take over the schools, the hospitals, the roads, the construction of social service buildings, and whatever else the government wants to get rid of?

[Rokita] It is not as bad as all that. The concept of a second stage of self-management reform was not thought up by Suchocka's government but was drawn from the achievements and demands of the already strong self-management lobby, concentrated particularly around the National Regional Council.

At the last meeting of self-management activists in Poznan, the belief was demonstrated many times that self-management administration is more efficient than state administration. I think this attitude will become increasingly stronger, not weaker. Today, in the outlying areas, the state fulfills two functions: It guards the primary interest (law, police, control systems, and so forth), but, at the same time, it conducts the management of certain services that serve strictly the local community (roads, schools, health service, day nurseries, and so forth). Here is where a division of roles must occur.

[POLITYKA] Thank you for the interview.

Onyszkiewicz on Military Doctrine Development

93EP0032A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 40, 4 Oct 92 p 4

[Interview with Janusz Onyszkiewicz, minister of national defense, by Miroslaw Cielecki; place and date not given: "After the Agony"]

[Excerpt] [PRZEGLAD TYGODNIOWY] Two years ago, the then minister of defense raised the alarm, saying that the army was in a critical situation and that further budgetary cuts would bring about its agony. These cuts were made. Does the Polish army still exist?

[Onyszkiewicz] As far as the personnel strength is concerned, the army is alive, though this is not a luxurious life. However, technical equipment is at the point of decay. Military materiel has a certain service life, and it should be systematically replaced. If this is not done, a qualitative leap occurs at a certain point. It will then be necessary to remove a large number of pieces of materiel from service with the army and replenish the loss through procurement. At present, we are not buying additional equipment because of a lack of funds. Several years from now, we will face an alternative: to either decidedly reduce the army, or to allocate funds—by then enormous amounts of funds—to replenish the loss. Poland will hardly be able to afford

the latter solution. Therefore, only the gradual replacement of armaments can be reckoned with.

I hope that next year the MON [Ministry of National Defense] budget will make new procurement possible. We should stress that this would be procurement from domestic industry.

[PRZEGLAD TYGODNIOWY] Some people assume that the army is complaining in order to frighten the Sejm and the public and to squeeze as much money from the budget as possible.

[Onyszkiewicz] The National Defense Commission of the Sejm is aware of the actual situation, and there is no need to frighten it. Industry, which is dying because of a lack of orders, feels our hardship the most. This truly is not intimidation. As recently as a year ago, we could train the troops more or less normally because we had large old stocks of, for example, ammunition. They were prepared for waging a war very different from the one we may now expect. We could use these stocks until we reached new limits. At that time, we "ate down" the stocks as we trained the army. At present, there are no unnecessary stocks.

[PRZEGLAD TYGODNIOWY] Recently, it was announced that Poland already has a defense doctrine. Generals laugh when they hear such unequivocal wordings. What is this doctrine about?

[Onyszkiewicz] A military doctrine, which is what the correct name is, may be, for example, defensive or offensive. This is a set of views concerning the way to conduct hostilities in the future that is accepted in a given state. A doctrine can never be put together in the form of an open, cohesive document. It always exists because a state always has some kind of views on possible hostilities.

What is being talked about now is a call for codifying these views. This will indeed be done shortly. It is just that no document will be released that will, all of a sudden, reveal a new truth. This will merely amount to the codification of what exists.

[PRZEGLAD TYGODNIOWY] Therefore, will the public learn generalities only?

[Onyszkiewicz] I am aware of only two states that have released documents called doctrines: first, in the spring of 1990, Poland, and later Czechoslovakia. The documents quickly turned out to be unsuitable for the actual situation. In NATO states and the United States, they publish only so-called white papers, in which they set forth the principles of the military policy of the state, present the military budget, and so on. We will do the same.

[PRZEGLAD TYGODNIOWY] Where is the codification referred to as the doctrine being prepared?

[Onyszkiewicz] The president and a circle of his advisers belonging to the BBN [National Security Bureau], MON, and the Ministry of Foreign Affairs are taking part in developing the doctrine, along with other ministries, such as the Ministry of Finance and the Ministry of Internal Affairs. The document prepared will be something akin to

a preamble, which will be signed by the president. Its final version will be signed by MON and the Ministry of Foreign Affairs.

[PRZEGLAD TYGODNIOWY] A dispute concerning power over the army still has not been ultimately resolved. Discussions are under way over the correlation of the army, the government, MON, the president, and the parliament. To your mind, which model of managing the army is the best and the most effective?

[Onyszkiewicz] In principle, the legal status has been established, and there should be no controversy concerning the management of the army. However, only a new constitutional law will result in complete clarity. The only problem is that the distribution of responsibilities has not been accurately established in Poland, or, actually, in other states, either. However, this simply cannot be fully accomplished, and no one has succeeded in doing so. For example, this is about decisions that should be made together with the president, which the government itself may make, and which the minister may make. Many issues involving defense transcend MON. The jurisdictions of various ministries sometimes overlap—for example, with regard to the issue of signing cooperation treaties with other states. This is done by the minister of defense. However, the issues extend to the area of foreign policy. The following question comes up: How should the jurisdictions of MON and the Ministry of Foreign Affairs be delineated? This cannot be done scrupulously.

[PRZEGLAD TYGODNIOWY] One of the factors behind the introduction of a civilian minister of defense was the issue of a lack of trust, or, perhaps, caution with regard to generals promoted in the previous era. This factor will disappear soon, and completely different generals will come along. Will a civilian still have to be minister then?

[Onyszkiewicz] This was not the principal reason. A system similar to the one toward which Poland is proceeding exists in the West. Can we say that this is the way over there because the Americans, the British, and others do not believe their generals? In a democratic state, the division between strictly military defense and command structures, and the leadership of the army and the making of military policy of the state is the principle. The function of the military is to implement policies that are the work of civilians.

We still do not have such structures. MON has been as if frozen in the form it had when the Warsaw Pact existed. There still is no regular Ministry of Defense. There is the minister and several sections serving him; there are headquarters services, such as the General Staff, the quartermaster's service, the Main Directorate of Combat Training, and so on.

[PRZEGLAD TYGODNIOWY] There also is the BBN, yet another civilian structure in the defense system. Will the functions of MON and the BBN be duplicative?

[Onyszkiewicz] The BBN is an auxiliary organ of the National Security Council, or, actually, still the KOK [National Defense Committee]. It has no jurisdiction at

all. It is merely a bureau, an office that offers consultations and expert review. What about the National Security Council—that is, KOK? The president is its chairman, the prime minister is his first deputy, and the minister of defense is deputy for the affairs of the armed forces. The BBN chief is a secretary that performs support functions for the council. Therefore, in a certain sense, the bureau even reports to the minister of defense. All jurisdictional disputes between these two organs are out of the question because the BBN does not have any decisionmaking power.

[PRZEGLAD TYGODNIOWY] Despite declarations concerning the apolitical character of the army, some politicians flirt with the military and try to capitalize on the army politically.

[Onyszkiewicz] I understand that, in a way. As surveys indicate, our society still has great confidence in the army. Therefore, it befits politicians to be seen in the company of military men. However, my understanding is not tantamount to complete tolerance. The army should remain on the sidelines of political disputes and safeguard its apolitical character. One cannot engage in any political activities in the compounds of military units. Our tolerance extends only to cases where the intention of politicians is, say, to familiarize themselves with military issues, never when it is to draw the army into the orbit of political groups.

[PRZEGLAD TYGODNIOWY] The former Minister Parys yelled from the podium, during the establishment of the Coalition for the Republic, that the government of Mrs. Suchocka is pro-Russian. What relations does the Polish army have with the armies of the states of the former USSR, especially those of Russia, Ukraine, and Belarus?

[Onyszkiewicz] Recently, I signed a military treaty with Lithuania. There is virtually no military cooperation with Russia. Only a small group of officers receives training there. This is necessary for various reasons, if for no other reason than that we still have Russian military materiel. However, there have been no visits at the level of ministers. It is a pity. A reasonable degree of military cooperation between adjacent states is necessary; it mitigates various tensions. We are planning to establish military contacts with Russia, as well as with other Eastern armies, especially Lithuania, Belarus, and Ukraine. We will soon sign a treaty on military cooperation with the last. Cooperation with individual countries does not have to be equally intensive, but there should be cooperation, regardless of the phobias of some politicians. This is an issue of building mutual confidence.

[PRZEGLAD TYGODNIOWY] The United States has granted to Poland something in the nature of the most-favored-nation clause with regard to military affairs. What does this mean?

[Onyszkiewicz] The United States has removed Poland from the list of countries to which it cannot export its armaments. Therefore, we may seek to purchase weapons there. This is not at all to say that we will be given access to the highest military technologies. Nobody has access to those. I do not know whether we will be able to take advantage of any offer for financial reasons anyway. However, the gesture of the Americans is symptomatic. We treat it as a signal indicating the growth of confidence in Poland.

[PRZEGLAD TYGODNIOWY] Among other things, members of the previous MON leadership accuse you of wasting an opportunity for Poland to join NATO, which was apparently merely a step away.

[Onyszkiewicz] This is just a myth. There has never been an opportunity for Poland to quickly join the North Atlantic Pact. There also was little prospect after the coup in Moscow, but this prospect became more remote again once the situation in Russia became clear. I hope that this will be accomplished in the future.

[PRZEGLAD TYGODNIOWY] Poland is involved, also militarily, with the so-called Visehrad triangle. At present, this region is not an oasis of tranquility. Czechoslovakia is falling apart; Slovaks and Hungarians are increasingly unsympathetic toward each other. Does this triangle make sense for us?

[Onyszkiewicz] Despite the existence of difficulties you are referring to, I maintain that such cooperation is beneficial to Poland. These difficulties are not as significant as some see them. Poland has an opportunity to become a factor that stabilizes this arrangement. The Visehrad triangle, which in the future will become a quadrangle, will be helpful in the prospective rapprochement with Western structures, such as the West European Union or NATO.

[PRZEGLAD TYGODNIOWY] Taking a stand on the issues of decommunization in the army, KPN [Confederation for an Independent Poland] Deputy Colonel Pawelec said that the state cannot be a collective house of ill repute, and that not everyone can sleep in it. You are against lustration and decommunization in the army. Are you not apprehensive about people remaining in the army who will be, as they used to, mediocre but loyal, except that they will, in a sense, adapt to the new situation?

[Onyszkiewicz] Decommunization in the armed forces, to the extent to which the authors of draft laws wish to have it, would not only cause the paralysis of the armed forces, but would also make it easier for precisely these mediocrities to stay in the army. The reality was such that the party, seeking credibility, reached out, through pressure in various forms, primarily to the best and most capable officers. As it were, the weak remained marginal to its interests. Perhaps some of the proponents of radical decommunization would like to make up for the former period of frustration. Clearly, this is not to say that only mediocrities remained outside the party. [passage omitted]

National Bank Position on Granting Credit Noted
93EP0030A Warsaw ZYCIE GOSPODARCZE in Polish
No 40, 4 Oct 92 pp 1, 11

[Interview with Dr. Jerzy Stoprya, director of the Department of Monetary and Credit Policy of the National Bank of Poland, by Marek Misiak; place and date not given: "The Central Bank and the Economy"]

[Text] [ZYCIE GOSPODARCZE] Little credit is reaching our economy, but banks will not reduce their interest rates. What is the position of the central bank on this?

[Stoprya] This is a very troubling phenomenon from the point of view of overcoming the recession. It requires a response not only on the part of the Central Bank but also of economic policy in its entirety. Loans extended by banks to economic units increased in August by only 0.5 trillion zlotys [Z] (in nominal terms, by as little as 0.2 percent; in real terms, they dropped by 2.6 percent). This has to change if we wish to firm up the antirecession trend.

In July, the central bank reduced the interest rate on refinancing credit from 40 to 38 percent; the interest on credit on securities was reduced to 37 percent, and on rediscount credit to 32 percent, with a view to reducing the interest rate on commercial credit.

At the same time, the rate of return on treasury notes sold in the primary market dropped to between 4 and 5 percent, on average.

Unfortunately, the results of these changes do not indicate either a reduction in interest rates on credit by commercial banks or the growth of credit absorption by economic units. There are two reasons for this. The first is that, this year, banks have found a substantial source for the absorption of their liquid reserves in the form of the acquisition of treasury notes (thus financing the budget deficit). Despite the rate of return on treasury notes declining since July, as I have mentioned above, it remains attractive enough for banks to prefer the acquisition of these securities (which are not subject to any risk), and to not step up the provision of credit for economic units, on which the rate of return comes to 3.3 percent.

Second, interest rates in the money market are also derived from inflationary expectations. No one will want to keep his savings at banks in term deposits if he is convinced that inflation will be higher than the interest generated by this investment. Banks should also take these factors into account.

However, as far as the phenomenon of the low absorption of credit by economic units and the population is concerned, I would like to add that, this year, the growth of loans extended by banks to households for consumption purposes is noticeable. The percentage of such loans increased from 3.6 percent at the beginning of the year to 4.4 percent (on 10 September). This indicates that the evaluation of the "creditworthiness" of households by banks is considerably better than that of economic units.

[ZYCIE GOSPODARCZE] Marian Rajczyk, chairman of the Silesian Bank, believes that the central bank is at fault

because it resorts to discriminatory practices involving restrictions on credit and mandatory reserves with regard to commercial banks (he wrote this in a report to be delivered at a conference organized by the central bank in October; we will present annotations of the main reports prepared for this conference in one of the forthcoming ZYCIE GOSPODARCZE issues).

[Stoprya] I would not overestimate these reasons, given that this year, most banks are not using up credit quotas. Certainly, quotas are not the foremost obstacle to the absorption of credit. Likewise, I would not overestimate the ability of commercial banks to adjust to the conditions of a market economy. On occasion, they are inclined to use external constraints in order to conceal their own weaknesses. The poor absorption of credit by creditworthy economic units is the main reason for weaknesses in the provision of credit. In the estimation of the banks, a majority of their potential clients still offer no guarantee of the repayment of loans taken out before agreed-upon deadlines.

[ZYCIE GOSPODARCZE] Precisely! The issue of restructuring the debt of enterprises and banks is coming up again. However, some people believe that debt restructuring may slow down the restructuring of the economy (by extending the agony of enterprises that are incapable of adjusting to a market economy).

[Stoprya] As is usually the case, the truth is in the middle. It is paradoxical that, by now, accounts receivable in the enterprise sector (about Z283 trillion) are higher than the debt of enterprises to banks (about Z224 trillion). A situation has developed in which enterprises whose economic performance is relatively good may go under on account of a lack of liquidity. Therefore, refraining from a rescue action may produce exactly the opposite result, instead of the expected positive selection.

Banks also need a law of this kind because the percentage of so-called bad loans throughout the banking system comes to about 25 percent, but, in the nine commercial banks that carry the burden of large loans from the so-called old portfolio, this percentage is greater. Without solving the problem of bad debt, these banks have no opportunity to privatize quickly. After all, no one will wish to buy the stock of banks with low solvency coefficients (below 8 percent).

[ZYCIE GOSPODARCZE] They also say that the message concerning debt reduction influences the growth of arrears.

[Stoprya] The growth of arrears and rescheduling has been registered for a long time now, and it intensified before the current draft of debt restructuring appeared. However, recently it has mostly been the case with settlements with the budget. Enterprises that are now delaying their payments may lose because of this, and some of them are aware of it. After all, this may be the criterion on which selection will hinge. Most commercial banks influence such positive awareness through more vigorous recovery efforts.

[ZYCIE GOSPODARCZE] The issues of the procedure for selecting enterprises and the ratio of the involvement of banks in this procedure to that of other institutions are also controversial.

[Stopyra] While not negating the leading role of banks that is assumed in the draft, I think that actions by banks, by way of restructuring proceedings with regard to enterprises failing to pay their obligations, must be reconciled with the premises of the economic policy of the government. After all, not all of the enterprises that are not creditworthy have an opportunity to develop in a market economy. Naturally, banks look at their borrowers from the microeconomic point of view. Therefore, in the absence of a restructuring program, this point of view does not take into account the necessary structural changes that are necessitated by macroeconomic considerations. In the absence of a government program for the restructuring of specific sectors of the economy, the actions of banks may be at cross purposes with the intent of the organs responsible for the management of the economy, especially the choice between resolving the issue of enterprise debt through bankruptcy or liquidation, or through restructuring proceedings.

To be sure, KERM [Economic Committee of the Council of Ministers] recently discussed a program for restructuring the economy, but the volume of financing needed to carry out this program, coming to several hundred trillion zlotys (that is, more than the annual revenue of the state budget), calls into doubt realistic opportunities for funding it. Therefore, I repeat that the restructuring program is necessary, but it should be a program based on present, realistic funding opportunities.

[ZYCIE GOSPODARCZE] Therefore, would it be possible for all state banks to have their capital "augmented" in line with expectations for restructuring?

[Stopyra] To be sure, the draft "Law..." does say that restructuring proceedings within the framework of the law will be practiced by all state banks and companies of the state treasury, but a commentary to this draft suggests that, under this law, neither the BGZ [Food Industry Bank] nor the PKO BP [General Savings Bank-National Bank] is likely to have its capital augmented. This would mean that banks will not be interested in restructuring the debt of state farms or housing construction cooperatives. In other words, economic sectors as important as agriculture and construction will not be subject to restructuring under this law. I believe that funds will be found to augment the capital of these two banks in the process of carrying out the program for restructuring the debt of enterprises to banks, so that they will also be able to get extensively involved in this process.

[ZYCIE GOSPODARCZE] Precisely! You have touched on a problem with which we could have started this conversation: sources of financing that are adequate for the needs of restructuring in conjunction with the augmentation of the capital of banks.

[Stopyra] The concept of using the stabilization fund for the purposes of restructuring is well known and, to my

mind, very appropriate because these monies will not promote the growth of the domestic debt of the state with regard to the economy (the funds that are derived from grants). However, this is likely to not be enough; domestic sources for financing this process should be sought.

[ZYCIE GOSPODARCZE] Increasing amounts of funds from banks will have to be allocated to finance a growing budget deficit. How are we to avoid the unfavorable effect of the so-called crowding-out of credit in the economy? Economic policy makers are debating various approaches to methods for financing the budget deficit. What is your opinion on this?

[Stopyra] I would not like to make statements at present concerning the official NBP [National Bank of Poland] position on the issue of financing the budget because we are currently involved in negotiations with the Ministry of Finance. However, I am convinced that the eventual considerable increase in the budget deficit will trigger many unfavorable phenomena in terms of the monetary situation, despite the increment of the money supply at present, in the eight months of 1992 remaining within the amount accepted in "The Outline of Monetary Policy in 1992."

Reality is likely to fall in between the following two scenarios:

In the first scenario, increased financing for the budget would be provided exclusively by commercial banks, which would have to procure funds for purchasing treasury notes in the market or restrict the provision of credit to the economy even more. In both cases, this would result in pressure for the growth of interest rates in the money market in real terms, and could cause the recession to return (through reducing consumer demand). The central bank, wishing to maintain the amount of reserve funds at a level corresponding to the planned increment of the money supply in the economy (Z127 trillion), in the environment of the above-the-plan growth of foreign reserves, would have to restrict both its direct acquisition of treasury notes and refinancing credit for banks. Can the restriction of money supply reduce the rate of inflation in this situation?

I think it can do so only to a degree because, in the last months of the year, inflation will not be driven by the growth of inflationary expectations but, rather, by the growth of prices for foodstuffs (caused by the drought and a smaller harvest) and the planned increase in the turnover tax, or in prices for goods and services subsidized from the budget.

The second scenario involves financing the additional budget deficit exclusively through the NBP, which would probably result in exceeding the planned growth of the money supply, the temporary continuation of excessive liquidity in the banking system, and the stabilization (or even a slight decline) of the real level of interest rates in the market. Obviously, the period of excessive liquidity cannot last long (probably no longer than two or three months). Banks may attempt to make use of their liquid funds by extending more loans to economic units (which

will increase the money supply in the economy still more through the multiplier effect). They may also try to make depositing money at banks less attractive (thus increasing the propensity of households and economic units to consume).

Under the circumstances, the inflationary expectations of our society will increase. However, they will not necessarily result in the additional growth of inflation (imports may increase, and foreign exchange reserves will thus decrease). In my opinion, whether this situation causes a return of the high rate of inflation also depends on the direction of the monetary policy in 1993, primarily the size of the budget deficit accepted for the next year. The setting of the budget deficit for the next year at a level of Z80-90 trillion would exacerbate the growth of prices from the very beginning of next year and (to my mind) would make it impossible to reduce next year's inflation below the level of this year. Banks will respond to the return of high rates of inflation by increasing interest rates on deposits and credit.

The task of the central bank is primarily to reinforce the currency within the framework of a stable money market. It reflects the most significant economic and financial processes. Our economy, which is right now beginning to overcome a recession, particularly needs such stabilization in the money market.

[ZYCIE GOSPODARCZE] Is 1993 too short an outlook, taking into account, for example, the absence of a government program for restructuring entire economic sectors, to which you have referred?

[Stopryra] This outlook should be extended as much as possible. However, our view of the years following 1993 may not be divorced from the path of approach—that is, things we can and should do as early as next year. Extending this "path of approach" extensively may bring about the correlation between Poland and its environment changing in disfavor of Poland.

For now, the direction is relatively easy to discern. It is necessary to embark on a broad-scale restructuring of the economy, which should eliminate, to a considerable degree, so-called payment arrears and improve the collection of taxes by treasury chambers. This is a premise for the growth of the role of currency in performing the function of a means of exchange and, thus, the role of the monetary policy in managing economic processes.

[ZYCIE GOSPODARCZE] Thank you for the interview.

Industrial Property Protection Code Discussed
93EP0038A Warsaw RZECZPOSPOLITA (EVERYDAY LAW supplement) in Polish 13 Oct 92 p VIII

[Article by Izabela Lewandowska: "Code on the Protection of Industrial Ownership"]

[Text] The broad concept of industrial property is used to describe inventions, product designs, ornamental and industrial models, registered trade marks, and topographies of integrated circuits or solutions in the area of microelectronics. In the modern world, in association with

the increasing competition on domestic and international markets, greater attention is being placed on the protection of industrial property. The innovativeness of technical designs protected by a patent, the visual attractiveness of the product, its design or model, or the renown of the producer associated with a specific registered trademark increasingly determine the position of a producer in the market.

The protection of industrial property has for a long time been a subject of interest not only for domestic legislation but also for international law. The particular questions in the area are regulated by international conventions, especially by the Paris Union Convention of 1883, and by bilateral agreements.

The changes occurring in Poland and the international obligations taken on by our country, including those in the treaty between Poland and the United States and the treaty on association with the EC, have made it necessary to adopt Polish measures in the area of international standards. The most pressing are changes in the law on inventions and agents and the introduction of protection for pharmaceuticals and chemical compounds and also for topographies of integrated circuits, which were not previously covered.

Proposals for "adapting" the legal regulations have already passed the first reading in the Sejm and are being worked on by the legislators in the commissions. But much remains to be done to achieve complete systematization and the complete agreement of our provisions with international standards. Ensuring such agreement is one of the main goals of the future code on the protection of industrial property. It is also to lead to the elimination of all provisions inconsistent with the market model of the economy in this area.

The initial proposal for such a comprehensive regulation was prepared by a group of experts consisting chiefly of scholars. Its authors did not begin from zero: They have taken into account previously tested legal provisions, the experience of the Patent Office, and proposals the deputies have considered.

There is a proposal to divide work on the code into two parts. The first part would be devoted to developing partial laws, or a law on inventions, a law on product designs, registered trademarks, the protection of topographies of integrated circuits, and a law on the Patent Office and patent agents. In the second part, issues common to all of these laws would be separated out and combined in the general part of the code.

The future code assumes, among other things, adaptation of the procedures for applying for rights and gaining protection developed by the European Patent Office. There is a proposal to place the operation of our Patent Office under extensive court control. In conjunction with the expected increase in the importance of industrial property and also in the number of disputes in the area, in part due to giving legal protection to items not previously protected, there is a proposal to transfer cases now settled

by the Appeal Commission and the Deciding Collegium of the Patent Office to the jurisdiction of the courts.

The adoption or rejection of a plan to form a code and on the direction of future work on the regulations will be decided by the Group for Protection of Industrial Property at a session organized under the auspices of the Patent Office and the Association of Patent Agents in Konstancin near Warsaw. The deliberations begin on 13 October 1992 and will last three days.

Trade Union Powers in Enterprise Pact Criticized

93EP0038B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 7 Oct 92 p I

[Article by Ada Kostrz-Kostecka: "A Prize for the Passive: Council of Ownership Transformations on the Enterprises"]

[Text] Creating conditions to increase worker participation in the privatization, accelerating the privatizing processes, and removing barriers hampering the implementation of these processes are the goals the Ministry for Ownership Transformations set for itself in its work on the "Pact on State Enterprises." The results of this work has encountered many critical remarks on the part of the Council for Ownership Transformations, which on Tuesday discussed the privatization aspects of the pact on enterprises.

The pact proposes that at least representatives of workers be selected by the trade unions and also the right in the course of three months to choose the form of ownership transformation. The consequence of these changes would also denote that the disappearance of the state enterprise as the dominant form in the public sector would be the partnership.

Even the fact of concentrating themselves on the state enterprise provoked reservations by the members of the council and specialists. Henryka Bochniarz said that it contradicts the thesis of the equality of the sectors, rewarding those who passively waited out successive governments. The application of the actions proposed in the pact, although not the first comprehensive approach to the questions of privatization and restructuring, does not resolve, in her opinion, the problem of the largest state enterprises. For them, the owner must take special steps because the case of the Warsaw Steel Works will certainly not be repeated, and the workers cannot buy such large plants.

The adoption of such a short deadline—three months—Jan Szomburg described as a misunderstanding because decisions made in haste can prove damaging for the economy. He called the pact itself a "prosthesis" that must be paid for.

The most controversial provision proved to be the ceding of the decision on the future of the enterprise to the trade unions. In the opinion of Henryka Bochniarz, the essential observation is that, without the workers,

privatization cannot be carried out, but the trade unions must have the role to which they are predestined defined. Their tendency to voice claims is understandable, but the role of the owner, of the banks, must be different. Julian Pankow repeated these reservations. He said that the role of the trade unions is natural in wage negotiations, but it is difficult to agree that they are to be the chief reforming force in ownership transformations. He also expressed fear regarding the difficulties of agreement among the particular unions both at the central level and at the enterprise level. In the opinion of Marcin Swiecicki, the unions are a force hampering the process of reform and, like the workers council, they should be excluded from it. According to Prof. Janusz Goscinski, placing such importance on the trade unions can only hamper negotiations.

Jerzy Drygalski and Wojciech Goralczyk, the deputy ministers for ownership transformation, shared these fears to a degree, but they pointed to the fact that the trade unions will be only one of the forces including the management, self-managements, that determine the form of commercialization. The further stages retain the current procedures, and the decisions will be made by the supervisory council, the board, and the general assembly.

The next problem discussed by, among others, Marek Dabrowski, the chairman of the council, was the way to pay compensation to the budget for lost income from the tax on excess wage increases and dividends. Deputy Minister Drygalski said that the intention of the authors of the pact was to prevent a decline in budget income.

Ceding increased powers to the Ministry of Ownership Transformations after the transformation of the state enterprise into a partnership and the decision of the Economic Committee of the Council of Ministers to use simplified evaluations of the enterprise also aroused doubts. In practice, research by the Ministry of Ownership Transformations shows, the market value varies from 5 to 350 percent of the market value of the firm. Only in 20 percent of the cases have the evaluations been not less than the 75 percent of the book value recommended by the Economic Committee of the Council of Ministers.

Solidarity Board Assesses Conditions in Lodz Region

93EP0037A Warsaw TYGODNIK SOLIDARNOSC in Polish No 42, 16 Oct 92 p 18

[Article by Janusz Tomaszewski, chairman of the NSZZ Solidarity Lodz Regional Board: "NSZZ Solidarity Lodz Regional Board on Unemployment and the Restructuring of Industry"]

[Text] The following materials concern talks conducted on the authorization of the National Commission by the NSZZ Solidarity Lodz Regional Board on unemployment and the restructuring of industry. By the end of the year, Lodz will receive an additional 134 billion zloty [Z] for

public works, intervention jobs, loans for those beginning businesses, and retraining. On 10 September, the regional board signed an agreement with Minister Michal Boni on the principles governing the use of these funds. The talks on restructuring industry will be held at a later date. Some of the problems will be taken up by the national officers during negotiations on the pact on enterprises. The presence of Janusz Tomaszewski from the presidium of the National Commission and the Solidarity Center for Social Research of the National Commission will permit a rapid exchange of information between the regional group and the national group. The lack of discussion of problems central to the operation of enterprises in the pact on enterprises arouses concern in Lodz Solidarity. The documents "Evaluation of the Situation in the Lodz Region" and "Problems Associated with Restructuring and the Privatization of Enterprises in the Lodz Region" were given to Prime Minister Hanna Suchocka during her visit to Lodz on Wednesday, 16 September 1992.

Evaluation of the Situation in the Lodz Region

Information on the Condition of the Lodz Labor Market

According to data at the end of August 1992, the number of registered unemployed was 101,453 individuals, of which more than 47 percent are women. The regional labor offices had barely 1,917 job offers for that group of unemployed. There were 282 individuals, including 131 women, at intervention jobs in August.

According to information from the Central Office of Statistics, the unemployment rate in Lodz Voivodship was 18.2 percent of the civilian work force; in terms of the total population of the voivodship, the rate was 8.9 percent.

Further, the review conducted in August by the NSZZ Solidarity Lodz Regional Board shows that approximately 170 enterprises in the analyzed group expect to lay off nearly 3,900 individuals in groups by the end of the year. These layoffs apply to both workers employed in enterprises that remain financially solvent and to enterprises that have lost solvency.

In addition to the problem of unemployment, the living conditions in the Lodz region are determined by the wage levels in worker families. In the analyzed group of 170 enterprises, the average gross wage in 52 enterprises is below Z2 million, and does not exceed Z2.5 million in 117 enterprises.

The Financial Situation of Lodz Industry

The economic and financial condition in the Lodz region can be illustrated by just the following figures (for 10 July 1992):

Arrears to State Budget	
Total	Z1,619,144 trillion
Of which:	
Turnover taxes	Z658,794 billion
Taxes on wage increases	Z240,017 billion
Income taxes	Z233,387 billion
Dividends	Z305,069 billion
Taxes on wages	Z182,877 billion

These figures clearly show a deepening economic regression and foretell further liquidations and collapses for production plants.

Problems of Lodz Industry

The effects of the political and economic changes in Europe have had great influence on the operation of the industry concentrated in the Lodz region. However, the loss of the so-called eastern market cannot account for the current catastrophic economic condition of Lodz industry. Many of the domestic factors dependent on the economic and financial policy of our state have contributed to this situation. Among them, one should list:

- The current banking system, which through unjustifiably high interest rates is causing a shortage of working and investment capital in enterprises, and the reduced exchange rate for the dollar is causing excessive imports of goods.
- The absence of a state policy to protect the domestic market, using the entire system of tariffs, quotas, quality norms, and so forth, on the one hand, and the lack of factors to promote exporters (loans, tax exemptions).
- The tax system in operation in the country, which by its design in relation to the state enterprises (the tax on excessive wage increases, dividends not derived from profits, paid even on economically unproductive assets) does not create conditions for equal operation of the ownership sectors. This is happening in conjunction with the lack of real tax oversight and court supervision of the private sector (the blatant hiding of sales, the phenomenon of so-called disappearing partnerships, and so forth).
- The lack of an institution of the state treasury as the real owner of assets and as their real manager.
- The continued existence of a monopoly for energy sources.
- The existing legal system. To a significant degree, this problem revolves around the laws of ownership for real property managed by the state enterprises (the law on lands and expropriation), regulated by the law on the privatization of state enterprises and the principles outlining the participation of employees in privatization associated with it.

Changes in RSK Territorial Defense Leadership

93BA0188G Belgrade *POLITIKA* in Serbo-Croatian
29 Oct 92 p 7

[Article by M. Cetnik: "Change at Top of Territorial Defense of Krajina: Novakovic Replacing Torbica"]

[Text] Knin, 28 Oct—By order of Goran Hadzic, the president of the Republic of Serbian Krajina [RSK], Colonel Mile Novakovic, the current commander of the

special units of the Kordun police, is appointed the commander of the Main Staff of the Territorial Defense of Krajina, replacing General Milan Torbica. Simultaneous with this order, Hadzic promoted Novakovic to the rank of major general.

Gen. Torbica was replaced after his irrevocable resignation, but there was a great deal of criticism of him because of the deaths of Krajina soldiers on the Miljevacko Plateau.

Macedonian Prime Minister on Economy, War
93BA0104A Skopje NOVA MAKEDONIJA in Macedonian
17 Oct 92 p 13

[Interview with Prime Minister Branko Crvenkovski by Mirce Adamcevski and Julijana Kocovska; place and date not given: "There Is No Going Back"]

[Text] *If we turn on the money taps and the printing press starts working, we would quite soon realize that the fragile Macedonian economy would not be able to withstand hyperinflation. Therefore, we have no choice. Short-term stabilization measures are the only way to a macroeconomic balance. Delaying international recognition offers maneuvering opportunities by extremist political forces. The concept of "better war than shameful peace" is dangerous.*

Crvenkovski began his political career slightly less than four years ago. As a young representative of the then existing Central Committee, he claimed that a state cannot be founded by petty hearts. At the 10th party congress he sided with the democratic nucleus of reformed communists. The next political step was becoming an assemblyman in the parliament and assuming the leadership of the SDSM [Social Democratic Alliance of Macedonia], and subsequently becoming the youngest prime minister of the Macedonian Government.

As such, Branko Crvenkovski, the Macedonian prime minister, states that he is an optimist and that Macedonia will prove that it can survive as an independent country despite the conditions of a frightful blockade, the pressure to change its name, and the difficult economic situation within the Republic.

[NOVA MAKEDONIJA] With few exceptions, the government's packet of measures was passed by the parliament. How much of that which was not given a green light could hinder its implementation, and what do you expect now, when we already know what has been accepted and what has not?

[Crvenkovski] Of the entire packet submitted by the government to the Assembly the only item that was not given a green light was the Law on Salary and Pension Taxation. The entire array of additional steps included in the stabilization program and the laws that were within the right of the Assembly to pass were supported by it.

We have never found it difficult to submit anti-inflation or stabilization programs. Most frequently and even unanimously such programs have been passed. The problem has always been their implementation or backing. In most cases, in our country such measures were defeated before they could start yielding results.

The most difficult task still lies ahead of us. It is to implement these measures. This will not be painless. Such measures may mean or perhaps even trigger additional social tension, as we have already seen. However, if we proceed from what would benefit the state the most, if we take the alternate option, which is to turn on all monetary taps and the money printing press, based on previous experience, in the final account we shall see that the brittle

Macedonian economy will be unable to withstand such hyperinflation and the hyperinflationary cycle. Therefore, we have no choice. The measures are the only chance for achieving a macroeconomic balance.

These are short-term measures, a fact that is essential. Most of them will last until next year. Therefore, this period must be used to take the real steps that must be taken, thus radicalizing the reform and ensuring the transformation of the economic system, which creates expectations for better results.

Possibilities Exist

[NOVA MAKEDONIJA] The people are constantly admonished to be patient. How long can the citizens endure, and what is the lower limit of the living standard? The more so since, even despite the new steps, strikes and social dissatisfaction in the Republic have not stopped?

[Crvenkovski] The existing parameters no longer allow us to determine the endurance threshold. We have already crossed it. On the other hand, if we look at the situation differently, meaning that the cash registers in the majority of enterprises are empty, and if we proceed from the fact that we are the target of sanctions and that no single international community or association has been subject to such measures, and if we take into consideration blockades and the impossibility of securing financial support from abroad, it is entirely clear that in that case we do not have much space to maneuver.

We may be saying that the living standard has fallen below the threshold of endurance. At the same time, since we are looking for different solutions, we should also find a way to procure the means and to raise the standard above that threshold.

[NOVA MAKEDONIJA] What are the economic prospects of the Republic of Macedonia under circumstances in which it is blockaded from the north and the south, and in which the latest events in Serbia and Bulgaria do not indicate any improvements in the present situation?

[Crvenkovski] Possibilities always exist. To begin with, we must not proceed from the fact that this is a lasting and definitive condition under which Macedonia must live. I do not know the length of the temporary period, for if we analyze the features and conditions as well as the projections of development of the situation that surrounds us it becomes entirely clear that they cannot last. This is one thing, and I am unwilling to get into projections. However, in terms of longer-range prospects, the end of the war in Bosnia alone would mean the lifting of the sanctions, which will mean that a northern corridor will be opened and we shall have the opportunity, once again, to regain our former share of the market.

The second thing is a delay in the international recognition of Macedonia. It is obvious that this issue is becoming as much or almost as much of an excessive burden not only for Macedonia but also for those who hold the key to it. How otherwise could we interpret the frequent visits of

foreign delegations and the insistence that the problem must be resolved as soon as possible, even before the beginning of next year?

During this intermediary period we must make efforts to find alternate markets. We are already working with Bulgaria and have contacts with Turkey. We are shortly expecting a group of experts from Russia that, together with our economists and representatives of the government, will lay the grounds for a future meeting. Most likely, this will be followed by a visit to Moscow in the course of which an effort will be made to sign an agreement for a broader barter arrangement with the Russians. We would ask for petroleum and a few things for the textile industry and we would pay with goods for which it is difficult for us to find a market. Alternatives must be sought, which is no easy matter.

Furthermore, we must make steady efforts to be accepted by the European Bank for Reconstruction and Development, and promote cooperation with the World Reconstruction and Development Bank, despite the fact that we are not members of that bank. We should lose no time while waiting for membership.

Therefore, I am an optimist in the sense that there are ways of solving problems. This is a time during which we are left to cope alone, and we must find a new internal potential based on our own strength and bring into play all reserves. They may not be extensive, but they may suffice for us to survive the approaching hard winter.

We Must Withstand

[NOVA MAKEDONIJA] What is your view on speculations about a double name for the Republic, and how realistic is the news that the Republic of Macedonia will be recognized by the beginning of next year?

[Crvenkovski] Our position is clear, and if we have already paid such a high price, we must continue to insist on that name and we must not yield. To begin with, one does not act for economic reasons alone.

To us, giving up the name Macedonia is not like an ordinary change of name as has been made by other countries. It would mean, for this is also the name of a nation of people, the loss of national identity and the depersonalization of that nation. The idea that we should abandon the name of Macedonia would have catastrophic strategic and long-term consequences precisely because of that same national identity. Any somewhat more serious analysis would indicate that abandoning that name would not only not pacify the situation but would create an explosive situation within the Republic as well, for it would go absolutely against the will of a tremendous number of people; abroad it would be a question of the various attitudes taken by our neighbors. This would not only reduce the risk but would even worsen it.

I have always been opposed to any predetermination. I do not wish to speculate about whether we should be recognized next month or before the beginning of next year. This is a lengthy process. What is especially important is precisely the fact that, as the Republic of Macedonia, we

are recognized by a good number of countries, very significant among them being Russia.

[NOVA MAKEDONIJA] Lately, interethnic tensions within the Republic have assumed the aspect of interreligious polarization. How does the government intend to settle this issue?

[Crvenkovski] In addition to social problems, interethnic relations are one of the key aspects and issues on which we shall be tested and pass or fail in the struggle for international recognition. The risk area lies in the issues of social tension and interethnic relations.

So far, a number of prescriptions have been formulated on the territory of former Yugoslavia and its former union republics on the resolution of interethnic relations. A substantial deal of such prescriptions have ended in an outbreak of hostilities. Within that time we were not only able to preserve the peace and stability in interethnic relations but also to make some progress, although on the surface this may seem unbelievable.

However, there still are people who apparently have not learned anything from what has been happening in our immediate vicinity. There as well the fight began with words, followed by party announcements, parliamentary debates, statements on television that may have sounded safe, brief accusations, and tactless games. In the final account, all of this led to the familiar results.

If anyone thinks that Macedonia has been immunized against war and that this cannot happen here, he is playing Russian roulette. The worst thing may be that there already is a tendency for interethnic conflicts to turn into religious conflicts, which is a much more dangerous matter.

In themselves, interethnic relations are complex. What could the government do? The government is only one entity that must lead in the battle for developing tolerance and good interethnic relations. It is only within the framework of its executive authority that the government could determine whether something illegal is taking place. This, however, is insufficient in terms of eliminating the threat of interethnic or interfaith quarrels. Very important in this case is the role of parliament, of political parties, and of the media. It is dangerous to think that war is better compared to shameful peace, yet that is what we are already hearing in parliamentary debates, or else the concept that, if we have to, let us be finished once and for all instead of dragging on. We must bear in mind that our people also have another saying: May God protect you from worse things.

Threat of War

[NOVA MAKEDONIJA] Is there any threat of war in Macedonia?

[Crvenkovski] Yes. There are two types of danger. The first is that of military conflict as a consequence of other critical situations. The outbreak of another military conflagration, this time in Kosovo, may have terrible consequences for Macedonia. It is something that could come from the

outside. As to what could happen coming from the inside is something that I have already mentioned, something related to the issues of social tension and interethnic relations. Postponing international recognition offers broad scope for maneuvering by extremist political forces that claim that such a policy is wrong and will not bring about international recognition. However, on the other hand, we must show patience. It is likely that with international recognition the tension will greatly ease on the interethnic and, probably, the social levels.

[NOVA MAKEDONIJA] Some parties, both within and outside parliament, have been accusing the present government of being a communist-Albanian coalition. On the other hand, it is being said in neighboring countries that a communist regime is being restored in Macedonia.

[Crvenkovski] First, about the depiction of the government as being communist-Albanian. If this means that Albanians are part of the government and work for it, with the support of their party and Albanian members, this would be fine. I do not consider this to be any tragedy whatsoever.

As to the first part, that about the communists, we have become accustomed to former communists accusing others of communism. This has become a daily charge. A government that governs, whether leaning toward communism or a market economy, is identified by the consequences. Let this be the basis for judging the work of that specific government. Specifically, on the subject of implementing the measures by the Assembly, we hear bolshevik slogans hurled by some parties as they criticize the government.

As to accusations coming from the outside, from Greece specifically, according to which the government is communist, we should not be astounded by this, for Greece is fighting to deprive us of international recognition and, regrettably, it is succeeding. What is strange is that some political parties in Macedonia agree precisely with people who are saying such things.

[NOVA MAKEDONIJA] How do you explain the Bulgarian reaction to the claim that the present Macedonian Government is pro-Serbian?

[Crvenkovski] These are views expressed by individual political parties and I would rather not comment on it. If our regime is pro-Serbian, our first concern would be to abandon our name and international recognition, and take somewhat different steps.

[NOVA MAKEDONIJA] What is the current relationship between the army and the police, bearing in mind the disputes between them in the past few months?

[Crvenkovski] A country must not allow a dispute between the army and the police. We know precisely what the views of these institutions are and what are their tasks and functions. I do not wish to go into the reasons for such quarrels, which took place under the previous government. Currently there is no such dispute.

Crime Must Be Eliminated

[NOVA MAKEDONIJA] When will the packet of electoral laws be submitted to the parliament?

[Crvenkovski] We are working on such laws and we shall do this on a priority basis, so that no one could say that this government is doing everything possible to postpone ahead-of-time elections. We shall submit this packet of laws to the Assembly and then the representatives will decide whether elections will be held or not. In this case access must be broader, so that we can hear the views of all parties, and not only those represented in the parliament.

[NOVA MAKEDONIJA] When you made your presentation in parliament, you said that the government will energetically fight criminal and illegal wealth. What has been accomplished so far?

[Crvenkovski] We believe that, to a certain extent, we have been successful in that area. We are greatly emphasizing the intensification of inspection and customs services, the Ministry of Internal Affairs organs, and others. It is my intention to submit in the next few days a report on what has already been accomplished. We have identified several groups, such as the one in Ohrid. In order to block such activities we have asked for the adoption of a trade tax law. We would like to be able legally to block some operations leading to the accumulation of illegal wealth. Specifically, the tax on trade will require payment to be made the moment goods leave the factory. This would make it impossible, for example, for barges loaded with cigarettes to reach the wholesale market without paying any trade tax. Today such cases are less frequent than in the past. We insist that control be strengthened. We have also amended the penal stipulations in most laws and introduced indexed penalties.

[NOVA MAKEDONIJA] Can you give us an overall assessment about illegal wealth and breaking the chain of organized crime?

[Crvenkovski] The criminal element must be eliminated. This means that we shall insist that all institutions work more intensively. As to illegal wealth, in my view, the best way to block it is the faster passing of the law on the conversion of public capital. The enactment of such a law will eliminate the threat of accumulating any kind of wealth, for the private entrepreneur will never allow this to happen. A black market has existed in the past and will always exist whenever the state finds itself in a situation of crisis and there is scarcity.

[Box, p 13]

The Price of Autonomy and Independence

Not one of our neighbors thought that we would be able to withstand even two months. This was being said by our northern neighbor, and then we heard it in the statements made by our southern neighbor. However, we proved that despite such difficult conditions we functioned as an independent country and that we can withstand any kind of harsh blockade. Therefore, we have some experience, and we have realized and become confident that we are

able to resolve our own problems. Despite the difficult situation, even under the worst possible conditions, we can cope and see to it that life goes on in the Republic of Macedonia.

Second, there is absolute consensus in the Republic on the subject of the international recognition of Macedonia, its autonomy and independence, and that its name must not be changed. This is the view of the citizens of Macedonia and this also implies readiness to withstand the necessary difficulty for the sake of such objectives.

At this point, to a large extent the situation in which we find ourselves is the price that we are paying. Can I specifically name the reason of the blockade by a foreign country? Simply, it is that we are unwilling to change our name. The same applies to the fact that we are not members of international financial institutions. However, we shall proceed down the same road leading to international recognition. This means that if such is the will and wish of all citizens, and if this will and wish are so great, which I believe to be the case, in that case we must realize that that price as well must be paid.

[Box, p 13]

Well, It Happened

[NOVA MAKEDONIJA] Your unofficial statement was that you did not even conceive of becoming part of the executive branch of the Republic. Yet you are now heading the cabinet! What is your comment on this?

[Crvenkovski] I indeed thought that way until the time that my party's Central Committee decided to nominate me. I had other plans but, well, this happened.

[Box, p 13]

The Government Will Not "Cook a Magic Brew"

[NOVA MAKEDONIJA] There is talk among the public of abuses by members of the former government. Will you ask the parliament to investigate such actions, assuming that they exist, or will this be done by the government?

[Crvenkovski] We truly have more pressing things to do. I personally am making an effort, and the members of the government have been directed to consider what must be resolved now rather than undertake to "cook a witch's brew," for time is of the essence. Yet, if out of such current work it turns out that some violations of the law had been committed or there had been abuses, then everything will be made clear. The law is the same for all citizens, regardless of whether they are former members of the government or even current members of the government. This means that depending on what we may be doing, we shall act according to the law. No one can be put in a protected reservation.

[Box, p 13]

Macedonia Is Not Buying Weapons From Bulgaria

[NOVA MAKEDONIJA] How accurate are some statements that Macedonia is buying weapons from Bulgaria?

[Crvenkovski] This is neither true nor accurate. Even a superficial view would show that Macedonia has no funds with which to buy weapons.

The second lack of logic is that such weapons are being bought on behalf of Serbia, for the reason that Serbia has a per capita surplus of weapons. Such speculations made in Bulgaria are the result of an internal political struggle and the view that any weapon used in such a struggle is permitted. That is the reason for which we find ourselves involved in this affair.

Role of Macedonian Parliament, Parties Discussed

93BA0014A Skopje PULS in Macedonian
24 Sep 92 pp 17-19

[Interview with Tito Petkovski, vice president of the Assembly of Macedonia, by Mirka Velinovska; place and date not given: "The Assembly as a Natural Disaster"]

[Text] *The current vice president of the Assembly of Macedonia is one of the very silent and very unexposed politicians who do not build their image on attractive conversation, which will satisfy the daily political demands of the public. In the meantime, that which he has been avoiding during his entire career, now the most nationalistic party has forced upon him. For a certain amount of time already certain deputies have been working to drive him out into "open" terrain, to call out to him to begin speaking in language understandable to them. We talked with Tito Petkovski about this and about certain current matters considered in the parliament's work concerning the government and the political environment in which the legislative and executive power are operating.*

[Velinovska] There is practically no one in Macedonia who will say a good word about the work of the parliament. With every passing week this impression only becomes stronger. In the meantime, most parliamentarians, of course, are indifferent to these impressions and evaluations of the citizens. From the desk at which you sit and monitor the work, how do you look at your work?

[Petkovski] For a long time we have not been able to find a consensus concerning elementary questions of interest to this Republic. Several times I have said that the Macedonian parliament, in this situation, has come to be a natural disaster for the Macedonian people. This is not by chance. Natural disasters leave many great consequences that are difficult to clean up. Likewise, this parliament, in these working conditions, whatever they say from the rostrum, does great harm to the citizens of Macedonia and the country. Just as an illustration: On one occasion in a conversation with a foreign diplomat, he told me that he had never before heard anything like what he has heard in the Macedonian parliament concerning the Macedonian state. For example, from the rostrum it was clearly said that "Macedonia and its leadership are involved in the smuggling of drugs and weapons" and that "Macedonia is breaking Resolution 757." Imagine his surprise when the deputies, who function as an authoritative body, clearly stated that "the Macedonian authorities do not respect

international regulations, resolutions, or conventions" and that they are "involved in smuggling weapons and drugs." How can one not be conscious of the fact that in this way it is doing great harm to the reputation of the country on the international level and is stirring up unrest among the inexperienced citizens? Great harm also is being caused because of the fact that, we, the deputies, simply cannot agree about passing the constitutional documents of the Macedonian state.

[Velinovska] If what you say is so, then I have to ask the following question: Does the parliament have a clear idea about what Macedonia needs? Do the deputies know what a country and national interest are?

[Petkovski] When we speak about the parliament I cannot say if all deputies have a clear concept about what Macedonia is about. If the Constitution is an expression of the will of the majority in the parliament, then I can judge that this crew of deputies, or at least most deputies, have the intention to build a stable civil society in which the rights and freedoms of the citizens are guaranteed, in which the market economy will be a principle of behavior in the economic sphere, a country that will be included in all international institutions and organizations and in which freedom of the press and belief will be guaranteed—in a word, building a society on the example of the European ones. However, when I look at the more public manifestations of the parliament through the decisions that the parliament makes, then I cannot say that all deputies have good intentions with respect to Macedonia as a country. From three sides there are deputies who say that the rights of other nationalities are barely guaranteed or are not guaranteed at all, and this in conditions where the most critically placed world institutions evaluate the level of the rights of the national minorities and standards of international relations as satisfactory.

[Velinovska] Can it be said that the parliament is obstructing its own work, that is, it is consciously blocking itself in order not to pass the important systemic laws?

[Petkovski] The parliament cannot create an obstruction, but individuals and political forces do this by imposing their wills and their views. The best example of this is the law for the selection of state symbols. For one political party there was no basis for any discussion in the parliament on this subject except that at the beginning of the mandate period of the parliament the party proposed it as a resolution. The deputies from this party then gave their opinions about the national symbols, and they have continued in this obstinacy. In contrast, the others are prepared to make a compromise, to move to what is rational and what is possible to decide upon, but also to venerate. I start from the fact that, with respect to the national symbols, they do not essentially determine the international status and position of the country, and are not even factors for internal stability of the country. At the same time I am conscious that as a manifestation sign, in the eyes of the citizens, the symbol represents just that—a certain significance. However, I cannot understand that just because of this the work of the parliament is blocked for much more essential work. With respect to evaluating

the work of the parliament, when it works like it works, I agree that it is not efficient. I think that the reasons lie in the fact that we still, like the other countries in the postcommunist period, do not have political groups clearly differentiated on the basis of interests. In fact, we have a parliamentary democracy of the multiparty type without its own infrastructure. Probably you are asking why all the parties so often come from different societies. Simply, they do not have an "addressee" to whom they can turn, and they become only undifferentiated representatives of national groups. Further, all the parties are addressing everything. That means they do not have their own infrastructure, they do not have their clearly defined electorate, and we are coming to a situation of very easy disqualification of those (repeatedly, generally defined) who in such a situation will not make decisions, let us say, concerning "higher national interests." Society in Macedonia in the postcommunist period is still undifferentiated. We do not have a clearly defined structure of society on a social basis; however, we do have it on a nationality basis and on a religious basis. And when we have a society structured on the basis of interests of different groups who have their representative in the political party, then it will be much easier for the true interests of the citizens to be protected in the parliament. In such a situation all appeal to the same citizens concerning the same questions, only they assure the citizens that they can do it better than the other party.

[Velinovska] Does this mean that, in the future elections, these considerations will be used in a positive sense and that the parties will be treated by the citizens more clearly and more concretely, that is, will we come to new elections with a more distinct party infrastructure?

[Petkovski] I am not an optimist, and I do not believe that Macedonia soon will structure itself on these principles, for the simple reason that a period of two years is not sufficient to begin this process. We said that we are introducing institutions from the most democratic political systems in Europe in the Constitution. However, we are forgetting that these institutions have to function in a society that has a tradition of parliamentary democracy. But we want instantly to transplant these superior achievements in political democracy into the political pluralism in our society. Thus, a very significant element is omitted when the level and quality of political life in Macedonia is evaluated not taking into account the political culture of the citizens. It is not built overnight, and I am not an optimist who believes that we can speak of a division into clearly differentiated social groups in Macedonia in the second or third mandate period. We have political pluralism based on nationalities, we have political pluralism on a religious basis, but we still do not have political pluralism on a social basis.

[Velinovska] Has Macedonia passed the danger of returning to a policy or philosophy of equally filled stomachs? On the one hand, the new conditions of social stratification of the society are suitable for structuring into interest groups, and on the other the rapid impoverishment and the fresh longing for the time when, without

much work and trouble, we lived fairly well, perhaps may turn into a kind of political throwback.

[Petkovski] Today, in crisis conditions, there can be no talk of rational understanding. Precisely because of this, different changes in form of a broader nature, which are putting pressure on social and political life, are appearing. The people, occupied with the idea of coming out of the crisis more quickly, make hasty decisions which have enormous consequences for a normal development of democracy in a society. Such is the case in our country. From the parliamentary rostrum you are able to hear pledges of equalitarianism, and that from representatives of a party that is declared to be anticommunist. As the crisis deepens I am convinced that in our country the number of those who think that it will be necessary to create relations of equal rights, of equally filled stomachs, will increase, without regard to the strategic definition of a society of differences, expressed through the definition of a market economy. According to this, if we are defined by a market economy, it is not possible to say that we have to accept all as equal. However, it is possible to say, in the functions of the state, that the parliamentary element dominates, that the social functions of the state that created tolerable living conditions for a category of people which, objectively, is not in a position to work for itself, are becoming stronger. Then, both in our parliament and in the country, if this negative trend in the development of the economy continues, there will be demands, perhaps even pressure on the parliament, to pass such laws in which the inevitable differences in a market economy will be objectively reduced to a minimum. In this way the process of the transformation of the socioeconomic relations, the transformation of capital, will be stopped. Simply, all that which would quickly include us in the trends of modern Europe.

[Velinovska] You spoke of the undifferentiated social structure of the citizens and of the undifferentiated infrastructure of the party. As a member of the Social Democratic Alliance, which category of citizen does your program address, and to which voters will you appeal in the coming elections?

[Petkovski] It is known what category of citizen the social democratic parties defend. Of course it is not a question of only protecting some close interests, but of representing the interests of this category of citizen. In Macedonia there is still no structured society based on interests. The dominant categories are those who create and who, at the same time, do not have a large amount of capital at their disposal. In accordance with this, this is the supporting category in Macedonia and the category that is in an objective position to influence the agencies of power to take measures that will be in the interest and defense of the citizens—irrespective of nationality and religious persuasion. The social democratic parties in the world first of all deal with the category of citizens who create new values in all segments of our social organization, but also all those for whom there are close definitions of economic and social efficiency, or the ethnic principles of humanism and social truth.

[Velinovska] The nationality parties also appeal to this category.

[Petkovski] The nationality parties appeal only to one category. They appeal to the category of "their people." In my opinion, the circle of membership of a party with a close nationality orientation in some rational conditions is very close. However, in conditions of a crisis it is somewhat different. The decision only to form groups on a national basis may lead to national chauvinism, to national exclusivity, intolerance, disrespect, and all this will divert us from the process of democratization. I do not blame the nationality parties for nationalism, but insistence on purely nationality interests as opposed to the nationality interests of another nationality group leads to nationality exclusivity. If we decide to build a civilian society, I think that the future cannot be an organization of society on a nationality basis, but only on a general human interest basis for the future overall economic and social situation.

[Velinovska] With the formation of a coalition government, I assume that precisely what you were talking about is taking place. Will the activity of the coalition be reflected favorably, or at least will it unblock the work of the parliament?

[Petkovski] We have an offensive assault of the nationality parties against the supposed coalition of the former Communists (in which both reformists and socialists are included) with the Albanians. In the first place I would like to say that this is not a matter of a classic coalition. A short while ago we were speaking about a division on the basis of interests of the Macedonian population. Namely, we are talking about a parliamentary majority with which a government is supported. I understand the term coalition to mean much stricter rules of behavior. The coalition accepts a program approach, agreement concerning a united approach with respect to strategic questions, but we simply have provided a parliamentary majority for establishing a new government, and time will tell if there are conditions for more solid coalition relations.

[Velinovska] Does this mean that the new government will be unstable and may fall at any moment?

[Petkovski] Any government may fall, even this one. At the same time, on the other hand, a government like this was truly required by Macedonia. Why do I say this? In the world there are two types of parliamentary democracies. One is a majority democracy, which means penetration of the majority into parliament at any moment or concentration of authority in one place, in only one group. There is also so-called consensual democracy. I think that the future of Macedonia is only in the second type—consensual democracy. What is going on now with the parliamentary majority may be understood only in this context, because this democracy also provides for listening to the voice of the minorities in the parliament. The essence of consensual democracy is in the fact that authority is not concentrated in only one place and that the minority is not continuously being outvoted by the majority deputies.

[Velinovska] This coalition, or this contract, was necessary in order to get out of the crisis of the preceding government. In the meantime your party always has asserted that it would not be able, or would not want, to enter into coalition relations with the nationality parties, but now you have concluded an agreement for collaboration with a nationality party.

[Petkovski] We are abiding by this position even now. And I think that flirtation with any kind of nationalism is catastrophic for the future and prospects of a country. In accordance with this the Social Democratic Alliance did not go for the version of providing a parliamentary majority in the system in order to exclude a nationality party, or to include one, or to make a coalition with the other. In the case of our first contacts, when we acquired the ability to put together a government, our idea was to go for a so-called concentrated government in which all parliamentary parties would be included, since no one party had a majority. In the meantime, that was not accepted, as before when our initiative for new elections did not pass, and this in a secret ballot. The preceding government, with all the moves and initiatives that it carried out, made it known that it was sterile, that it could not offer anything that would mean a radical and positive change for Macedonia, either in the economy or in political relations. A deep cut unavoidably had to be made, and a government that would be able to share responsibility had to come to power. When we tried to form a government on this basis with all the political parties, we received from the VMRO-DPMNE [International Macedonian Revolutionary Organization-Democratic Party for Macedonian Unity] conditions that objectively could not be accepted. These conditions are known to the public. They sought the key departments for themselves, and to come to an agreement about the others between the other parties. In accordance with this, the situation was not that we decided as some party decree of ours to exclude VMRO-DPMNE as a nationality party and to include PDP [Party for Democratic Prosperity], likewise a nationality party. But, on the contrary, we went toward that which was objectively possible to do when the initiative for new elections fell through. When VMRO-DPMNE attempted to put together a government, it talked with the same political entities with whom we were talking. It did not make sure of support from the other political parties, but we did. Initially, the agreement fell through because our candidate returned the mandate. I think that the main reason for this lies in the fact that our candidate Goshev was not able to put together a cabinet to his liking.

[Velinovska] When you mentioned Goshev, judging by the explanation for the fact that he was forced to return the mandate and how he voted for the new government, it is speculated that there are divisions in your party. Is there a division in your party, or the existence of factions?

[Petkovski] I cannot predict whether or not there will be a division, and a faction is a normal phenomenon in all political parties. People do not have to agree absolutely in all matters in order for them to belong to a political group. However, in our country this is still unacceptable. People

are frightened if they have divided thinking in the same political party. As a process this will eventually be a very natural phenomenon. I think that there is no reason for the Social Democratic Alliance to continually have factions and divisions. Judging only by Goshev's approach to parliament, it is possible to get another impression. His explanation is understandable to me since, before the voting began, he explained for what reasons he would vote in the way he did vote. This is how he thought and I do not have any right to impose on him my opinion, which at this time does not agree with his. In accordance with this, we in the Social Democratic Alliance cannot impose our will in the pronouncements of the deputies on all matters. Even in the case of the choice of the symbols, the deputies expressed themselves as they felt. It is one thing when it is a matter of internal party divisions, and another when the process of the division into social groups on the basis of interests has not yet begun in our country. So those political parties that are in the Macedonian political sphere are more formed on the initiative of a closer circle of individuals than in a normal process of social segmentation. I think that even in the Social Democratic Alliance there are people who privately, in their personal conviction, according to their behavior in the parliament, belong more to some other political persuasion.

[Velinovska] From very specific places and political parties it is heard that it is not "appropriate" for your political party to insist on obtaining the so-called key or most important ministeries: internal affairs, defense, and justice, with the argument that an environment of one-party rule will again be established through them.

[Petkovski] When we spoke about democracy and about democratic institutions, I recalled that in our country, aside from the fact that we have established a constitution in a democratic country, there is no democratic tradition. The situation in which we are now and the level of political life do not provide the relevant factors that lead to the conclusion that we have a stable democracy. This simply is not possible. All the authoritarian systems are leaving to follow the path to democracy. In any case, this country of ours needs a longer democratic development in order for contemporary world institutions to be able to be established in Macedonia. In Macedonia the government already is more identified with the first person—the president—and is less recognized according to its composition. The president of the government bears the responsibility for the conditions. But in order for him to bear the greatest responsibility for the conditions, I think that it is an elementary thing for the first person to have the closest collaboration with the most significant departments in the government of the Republic of Macedonia because they influence the conditions in the society. This is the only reason why VMRO-DPMNE made an effort to get these departments. The same logic applies for the Social Democratic Alliance as for VMRO. Secondly, conditions where Macedonia will create a tradition in the area of parliamentary democracy will be considered quite differently.

[Velinovska] In the meantime, has your party already parted from the past? Considering that you say that "we

find ourselves on the threshold of democracy with a still 'fresh' memory of the past system," in particular connected with the SKM [League of Communists of Macedonia], is it possible that we will get into a situation where the Ministry of Internal Affairs, Justice, or Defense are misused? For example, you have declared that you are breaking with the continuity of the party activity, you assert that you are turning over all documents to the appropriate institutions in order to be used for scientific purposes. In the meantime, the recent appearance of one of your members on television, bringing to light documents that are at best called unpleasant for the political opponent, and which discredit him, causes the question to naturally arise—is all this correct? In relation to this it is often mentioned that there is a need for opening the dossiers, which in other Eastern European countries was done as a precondition for the radical changes in the systems.

[Petkovski] The fact is that the Social Democratic Alliance has turned over all files to the archives of Macedonia. This is a fact. These that are being used as an illustration are in the area of private communications and private files. But the question is when, where, and how the archivist of the Social Democratic Alliance will use something that in a political battle has to be used or not. The question is, will it be misused or not? The essence of the problem is not where the copy is kept. The essence of the problem is if in specific political moments something has to be used as a trump card, to confirm or refute something. This may be discussed. With respect to the dossiers and their possible misuse, the Social Democratic Alliance stated its opinion at one of the first sessions of the parliament when it proposed (and this was accepted by all political parties) that political dossiers be destroyed.

[Velinovska] It seems that that which you have explained is not clear to some people. Is your party prepared to request once and for all to be finished with this?

[Petkovski] Our decision was declared at the beginning of the mandate period of this parliament. The minister who was the head of the police belonged to VMRO-DPMNE. In accordance with this there is no question of any continuity when it is a matter of the police. All the changes that were made in the Ministry of Internal Affairs were made on the principles that the previous government confirmed. I cannot understand what kind of continuity is at issue. If we are talking about the capability of the former Union of Communists, transformed into the Social Democratic Alliance, to have a monopoly over the functions, there is no question of that. And no representative of the Social Democratic Alliance ever was for obtaining proofs as film elements from the dossiers.

[Velinovska] In speaking about the police it is interesting that for a long time it has been known that your name is connected with this agency. Why?

[Petkovski] There was an accusation from the rostrum that during the preelection activity fliers were distributed in the Bulgarian language in Skopje in which the role of VMRO was praised, and that this was done by my organization.

This means I am "charged" with participating in the distribution of fliers and not that I collaborated with the police in any matter. A short time ago I said what political culture means and what an unscrupulous battle for political position means. In such conditions it is easy to move toward political discreditation, disqualification, and demonization of the people who think differently. The accusations against me always are out of context. It is not a context of my doing illegal things, but simply of my disqualification. Those who are doing this are doing it consciously. If it is a matter of proving my guilt, then this should not be done from a rostrum, but before the proper judicial bodies. They maintain that they have police notes in which it is stated that I was informed about the distribution of the fliers. It is interesting that the entire time when they are speaking about the police, they are speaking about the state, that is, about some political state dictatorship in Macedonia, but when it is in their interest then they take the political notes of individual policemen as great proof of something. Again, therefore they think that bringing the affairs in which they are protagonists to the light of day is a police subterfuge.

[Velinovska] However, you may want to approach these attacks or disqualifications in a moderate and relaxed way. Every person experiences attacks on a personal basis painfully. How does Tito Petkovski defend himself in these situations?

[Petkovski] I am conscious of the political subterfuges, intrigues, and provocations. I try to be calm; however, there have been moments when I became beside myself, all because of the loss of time and wasted material resources, in order to begin to get to work.

[Box, p 18]

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Macedonian Opinion Polls Rate Politicians

Gligorov Leads

93BA0105A Skopje PULS in Macedonian
8 Oct 92 pp 14-15

[Opinion poll conducted by Minister Goce Georgievski, director of the PULS Research Center, including commentary by Iso Rusi: "Averaging' of Politicians"]

[Text] *Despite the very complex situation in which the Republic finds itself, politicians are given an essentially positive rating. Kiro Gligorov firmly remains leading the popularity list; Denko Maleski takes second place, whereas Andov and, particularly, Tupurkovski show great decline.*

An aphorism by Dusko Radovic simply states the following: "Politicians are much better than politics. This conclusion is based on the fact that we change politics more frequently than politicians." It is precisely this "durability" of politicians that has been questioned in the third annual poll on the popularity of politicians in Macedonia, which has been conducted regularly once every three months by the PULS Research Center. The general impression gained from the last sounding of the popularity of local politicians is that no less than 400 residents of the Republic, selected at random and polled by telephone, have essentially expressed and crystallized their attitude toward the actors performing on the Macedonian political stage; the number of those polled who had "no opinion" on the listed politicians remains substantial.

The latest PULS survey indicates as well that the leading position in rating our politicians is not arguable. The first place is firmly held by Republic President Kiro Gligorov. Obviously, the population continues to support the "cool head" policy and values the overall strategy and specific steps that are being taken by the authorities. They also support the strategy used concerning the main problem, which has remained unchanged for months on end but which depends the least on the wish of the local population: greater international recognition of the Republic of Macedonia. Let us note, however, that, compared to last year's rating, Gligorov has dropped in the median rating (last year it was 1,878 points) and that the percentage of those who have expressed a very favorable view on his work has declined from 79.75 to 64.50 percent, compared to those who now consider it to be "mostly favorable."

The second place that became apparent in the second annual survey continues to be held by the old and the new Minister of Foreign Affairs Dr. Denko Maleski. Noteworthy in his case is an increase in the average rating compared to the previous poll, although he has still not reached the highest rating which he had during the first annual survey (1,125). It is obvious that the broad public has not reacted to the criticism to which he was subjected in guiding our foreign policy.

Should he consider seriously the results of the latest survey by our research center, Stojan Andov, chairman of the Macedonian Assembly and leader of one of the larger parties in it, should be concerned. His average rating has been quickly "melting away" compared to last year (1,258); at the

beginning of the year it was 910 and in June it dropped to 892 points. For the time being, he is in third place. However, very close to him is the independent representative from Gevgelija, Todor Petrov, with whom he has frequent "encounters of the third kind" in the Assembly.

It is more than clear that the improved standing of the independent Petrov also means that our respondents are showing a better understanding of the nature of this "amendment promoter" compared to his colleagues in parliament or the chroniclers of Assembly meetings.

Unlike his predecessor Mr. Kljusev, Branko Crvenkovski, the new Macedonian prime minister, does not begin his new job with a negative rating. We can even note that despite the usual and habitual comparison between him and the previous prime minister, who was blamed for the rather dim situation, Crvenkovski has gone up in the ratings (last year he rated 427 points); now he has climbed one degree higher. Nonetheless, the real effect of sitting in the "hot seat" by Crvenkovski will most likely become apparent in our survey at the beginning of next year.

Although the people remember, they also apparently forget! This may be the best interpretation, bearing in mind the position held in our list by Dr. Vasil Tupurkovski. We are far from claiming that he is politically finished. We must not forget that, not so long ago, he had formal proof of his unquestionable popularity among the voters and that in our rating, from the very beginning, and for quite some time, he was firmly in second place. Nor should it be forgotten that his present drop to a sixth place, with a loss of almost one-third in his rating, is the result of a campaign mounted against him and the pressure to remove him from our political arena.

Although he has dropped by one position, once again Jovan Andonov, the interim or, to put it better, the forced head of the Republic and deputy chairman of the Macedonian Assembly, has nonetheless showed an increase in the rating. Although linked to specific and always sensitive events, such as strikes and the shortage of petroleum and petroleum derivatives, which mark our sad daily life, he is nonetheless valued by our respondents.

It is clear that most of our respondents do not blame Petar Gosev for refusing the mandate of forming a new government. They seem to respect this gesture. Although he was not included in the previous surveys (this time he was included specifically at the request of the respondents in previous polls), Gosev has retained a firm middle position and the trust of the respondents (two-thirds have strongly or essentially approved of his actions). It is true that Gosev is far from being considered as "written off." There is a strong view that eventually, like Tupurkovski, he will return to the top.

The current and always positively rated Skopje law-school professors temporarily (?) appointed Macedonian cabinet ministers, the bow-tie-wearing gentlemen Ljubomir Frckovski and Jane Miljkovski, cannot complain of their ranking, although they probably feel underestimated. The former is head of a department that is usually unpopular among the masses, whereas the latter owes in all probability the praise or impatience of the

broader population to the debates concerning his project, which is the privatization of public capital.

The always interesting and frequently ironic-sounding, not to say cynical, leader of the League for Democracy, Gjorgi Marjanovic, has been able to retain his rating, although it has declined compared to the preceding poll. A lesser decline has also been noted in the case of his colleague and follower Ante Popovski, as assessed by old or new communists. His averaged rating has dropped by about 10 points compared to last year's average.

Stevo Crvenkovski, the new deputy prime minister, traditionally handling the "most slippery" department, should be satisfied with his first rating. All he has to do, perhaps, is avoid following in the steps of his predecessor in order to have a very good standing, at least as far as his popularity is concerned.

Honestly, among the people who are "in the minus area," Estref Aliu does not deserve the kind of "treatment" administered by our respondents. It could be that they, in the spirit of prevailing interethnic relations, reacted more to his "foreign" name rather than to his constructive actions in the Assembly. The case of Mitko Anastasovski is a story by itself. All that can be said about him is that the respondents have shown no understanding of his innovative interpretation of folk wisdom.

Special attention among those whom the respondents themselves believed to be among the politicians who should have been included in our rating goes to Blagoj Khandjiski, representing the SDSM [Social Democratic Alliance of Macedonia] in parliament (with 12 ratings of "very positive thinking." Not far from him is his party colleague Tito Petkovski, and, along with Ljupco Georgievski, the leader of the DPMNE [Democratic Party for Macedonian National Unity] mention is made of Vlado Kambovski, Ljubisav Ivanov, Faik Abdi, Krste Jankovski, leader of the Labor Party, and Miss Dosta Dimovska (two ratings of "very unsatisfactory opinion").

For the third time in a row, personalities in the other "public areas" have attained a rating securing their second position on our list. This time musician Vlatko Stefanovski "garnered" 1,210 points, and, had he been a politician, he would have been immediately next to President Gligorov. The same applies to Darko Pancev and Blaze Koneski, listed in our previous surveys. This is not at all commendable in terms of the political branch!

[Box, p 14]

Third Rating

This survey of the public, within the usual time span, was conducted from 1 to 3 September by the PULS Research Center involving 400 respondents in the Republic of Macedonia. It was based on the same methodology as the previous surveys (single stage, proportional, and random selections from the Macedonian telephone directory), requesting the citizens to express their views on Macedonian politicians. The study was conducted during an

exceptionally difficult economic situation, in a period of strikes, petroleum crises, inflation, and major domestic and foreign policy problems.

All in all, bearing in mind our previous ratings, the respondents expressed increasing dissatisfaction with the personalities who are most directly involved in organizing their lives. At the same time, however, particularly if we include in this context the role of factors that most directly influence the shaping of views, we could confidently say that our citizens display a high degree of patience, tolerance, and "hope" that, nonetheless, the situation will improve. Considering the rapid development of the situation and the difficulty of predicting its direction, intensity, and quality, this rating can be considered valid only until the next survey.

[Box, p 15]

Who Was Surveyed?

	Percent
Sex	
1. Male	49.5
2. Female	50.5
Age	
1. 18-29	25.0
2. 30-49	50.0
3. 50 and older	25.0
Education	
1. Primary	12.25
2. Secondary	53.5
3. Higher	34.25
Work Status	
1. Inactive	37.25
2. Employed in the state-municipal sector	52.5
3. Employed in the private sector	10.25

	Points
K. Gligorov	1,545
D. Maleski	1,105
S. Andov	690
T. Petrov	685
B. Crvenkovski	642.5
V. Tupurkovski	520
J. Andonov	505
P. Gosev	502.5
Lj. Frckovski	452.5
G. Marjanovic	345
J. Miljković	157.5
A. Popovski	142.5
S. Crvenkovski	105
E. Aliu	- 467.5
M. Anastasovski	- 660

Many Undecided

*93BA0105B Skopje NOVA MAKEDONIJA in Macedonian
17 Oct 92 p 14*

[Article by Julijana Kocovska: "New Elections by Spring!"]

[Text] As many as 72.29 percent of the participants in a telephone survey agreed that ahead-of-time elections should be held. The most important issues for the voters are the economy and civil peace. More than 40 percent of those surveyed were undecided. In the new elections the people will vote for personalities and not parties.

In cooperation with the PULS Research Center, from 28 September to 3 October NOVA MAKEDONIJA conducted a poll on ahead-of-time elections in Macedonia. The survey included 550 randomly selected telephone subscribers from 28 opstinas, consistent with the share of the adult population. The results of the telephone survey show the current breakdown of the feelings of the surveyed citizens.

The breakdown of the telephone survey respondents was the following: by sex, 60.7 percent men and 39.3 percent women; age: 18 to 29, 25.5 percent; 30-49, 49.7 percent; 50 or older, 24.8 percent; education: primary, 11.2 percent; secondary, 49.2 percent; higher, 39.6 percent; ethnic affiliation: Macedonians, 83.7 percent; Turks, 2.1 percent; other, 9.7 percent; Albanian, 4.5 percent. In the case of the Albanian population we had the highest percentage of abstentions (refusing to participate in the survey). The survey was conducted by a research team headed by Goce Georgievski, with programmer engineer Vladimir Sidorovski. The telephone survey was conducted by the network of NOVA MAKEDONIJA correspondents and the PULS survey team.

There was no question as to the need for a new parliament, according to the voters. The majority of voters were in favor of ahead-of-time elections; this instruction to the members of parliament was made clear by the NOVA MAKEDONIJA survey. As much as 72.29 percent of the 550 adult respondents, who participated in the telephone survey, answered that ahead-of-time elections must be held in the Republic of Macedonia.

When To Hold the New Elections

The telephone survey conducted by NOVA MAKEDONIJA, in cooperation with the PULS Research Center, indicated that the respondents were strongly in favor of ahead-of-time elections. As we said, 72.29 percent of the respondents were in favor of holding the elections no later than next spring, i.e., in a few months. An opposite view, i.e., that Macedonia does not need elections before the end of the four-year term of those in power, was held by 18.35 percent of the respondents; one out of 10 respondents (9.36 percent) was unable to give a specific answer to the question of "for" or "against" ahead-of-time elections.

What will be the most important issue for the electorate and the potential voters that would determine the need for elections? The survey data indicate that priority is given to

the economy. More than one-half of the respondents or, more precisely, 60 percent of them, were interested in finding a solution to the economic issues in the Republic and believe that that precisely is what they will be looking for in the programs of the parties and the independent candidates. However, this was not the only issue. A significant number of respondents (16.7 percent) gave priority to the political forces that will guarantee the peace and security of the Macedonian citizens. Proof that politics is important but also that real life is what matters most is the view of only 3.85 percent of those surveyed who considered that political issues in the party program will be most important in the elections. More than 3 percent of the participants in the survey gave priority to interethnic issues, while issues related to the social area and foreign policy were rated between politics and economics. It is of interest that the resolution of economic problems was considered most important by respondents with higher training (65.3 percent) and was considered particularly important by the people of Skopje (68.8 percent) as well as by respondents in the eastern part of Macedonia (57.6 percent), while the number of such people was smaller in western Macedonia (37 percent). Among the electoral issues, peace and security were of the greatest influence much more among women, compared to men, but according to the survey data, this factor was the most important for citizens in the western part of the Republic. The respondents were most interested in the solution of interethnic problems as well.

Mistrust of the Current Parties

Whereas the first multiparty elections indicated that the citizens voted mainly for parties, NOVA MAKEDONIJA survey data indicate that the ahead-of-time elections will be, actually, elections in which the people will vote for personalities. One out of every two respondents (51.93 percent) confirmed this view, stating that he would vote above all for an individual, regardless of his party. Personality was important also to 16.51 percent of those surveyed, who said that they would vote for an individual but will also take into consideration the party affiliation of the candidate. Only 18.72 percent of those surveyed would consider nothing but the party.

The extent of dissatisfaction with and mistrust of the current political parties was most explicitly indicated by the fact that one out of every two respondents did not answer the question of what party could resolve the most burning issue facing Macedonia. Twenty-three of the 50 percent of the respondents specifically answered, "not one of the parties." Such data clearly prove to the chroniclers of political life the view that extremely needed in the Macedonian pluralistic stage is the regrouping of political parties and their consolidation and creation of party blocs and coalitions with much greater recognition and social and political orientation. Asked what personality could solve problems in Macedonia, as much as 66 percent of those surveyed were uncertain or unable to answer, and among the respondents who indicated a specific individual, 20 percent named exclusively Kiro Gligorov.

Indicative Situation

How would political parties be rated had the Macedonian elections been held today? The NOVA MAKEDONIJA team and the PULS center determined that there is significant mistrust in the parties which, two years ago, assumed parliamentary power in the Republic. As many as 42.2 percent of the respondents were unable specifically to answer the question of the party for which they would vote in the new elections. Actually, 17.8 percent of those surveyed believe that at this point they would not vote for "any one of the political parties" in the current pluralistic environment, while 24 percent were undecided. The data indicate that the highest percentage of people who, in imaginary ahead-of-time elections, would drop a blank ballot in the box was among the unemployed and respondents in the eastern part of Macedonia, while the undecided were mainly in Skopje.

The survey yielded the following indications: Most of the respondents want new elections, and the distrust of the voters was significant in those who assumed parliamentary power in the first elections, but that with a new multiparty vote, the respondents would still vote primarily for the parties that are currently represented in parliament. The highest number of respondents who knew who they would vote for would vote for the candidates of the Social Democratic Alliance. According to the study, that party was rated highest by 18.9 percent of the respondents. Tending to support the SDSM [Social Democratic Alliance of Macedonia] were people with higher training; in the eighth breakdown, these were mainly people of the middle and even the older generation. The study indicated that one out of every two respondents who had voted for that party in the first elections would do so in the ahead-of-time elections as well (54 percent).

Immediately following the Social Democratic Alliance is the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity], with 11.56 percent of the respondents. That party is also supported by respondents belonging to the younger generation with double the number of men compared to women and, on the basis of education, VMRO-DPMNE supporters are found mainly among people with primary or secondary education. Some 45 percent of the respondents who had voted for that party in the first multiparty elections, when it sent the highest number of representatives in parliament, would once again now vote for the VMRO-DPMNE. Unlike respondents from eastern Macedonia or among the people of Skopje, that party has its supporters among the respondents in the western part of the Republic.

Decline of the Liberals

According to the NOVA MAKEDONIJA survey, the Reformist Forces-Liberal Party had a very low rating in party position on the eve of the second year of the multiparty Macedonian elections. Should the elections be held now, 5.69 percent of those surveyed would vote for

that party. The erosion of electoral support between the first elections and the theoretical ahead-of-time voting is the highest precisely for the liberals. According to the survey, no more than 20 percent of those surveyed who voted for that party in the first elections will reliably vote for the RS-LP [Reformist Forces-Liberal Party] in the ahead-of-time elections. Actually, the highest percentage of that party's supporters have now shifted to the ranks of those surveyed who state that in the new elections they are not going to vote for any party.

In the NOVA MAKEDONIJA survey the Democratic Prosperity Party garnered 2.4 percent of the votes of those surveyed, but this is not a definitive figure above all because the Albanians who were surveyed amounted to 4.5 percent of the ethnic structure of those surveyed by telephone. The data of the study of this survey indicate that the Albanian population will mainly rally around the PDP [Party for Democratic Prosperity]; 80 percent of the Albanian respondents claimed to have voted for that party during the first elections and said that they would vote for the same party now as well.

The study indicated that Macedonian parties not represented in parliament are quite likely to repeat their electoral fiasco of two years ago. Of the some 30 political parties in the nonparliamentary bloc, only two stood out in the survey: the MAAK [Movement for All-Macedonian Action], which was named by 5.14 percent of those surveyed, and the League for Democracy, with 3.85 percent of the voters surveyed by telephone. The MAAK is supported by the respondents in the western part of Macedonia, whereas the League for Democracy is supported by Skopje residents.

The negative party rating once again indicates that the parties whose connotation is exclusively ethnic account for a significant percentage of the negative votes. Asked about a party for which they would not vote, 35.05 percent of the respondents named the VMRO-DPMNE, while 25 percent indicated the Democratic Prosperity Party.

For Which Party Would You Vote?

Undecided	24.40%
SDSM	18.90%
None	17.80%
VMRO-DPMNE	11.56%
RS-LP	5.69%
MAAK	5.14%
LD	3.85%
Other	12.66%

Do You Favor Ahead-of-Time Elections?

Yes, by spring	72.29%
No	18.35%
Undecided	9.36%

What Will Be the Decisive Issue in the Elections?	
The economy	60%
Peace and security	16.70%
Foreign policy	8.62%
Social issues	7.52%
Political and defense issues	4.03%
Interethnic problems	3.12%

Party Leader Rating	
None	39.82%
Have no idea	18.72%
B. Crvenkovski	14.50%
S. Andov	9.72%
Lj. Georgievski	5.69%
A. Popovski	3.12%
G. Marjanovic	2.57%
Other	5.87%

Personality or Party?	
Personality regardless of party affiliation	51.93%
Personality with party affiliation	16.51%
Party	18.72%
Undecided	12.84%

Founding of Macedonian Intelligence Service
93BA0075A Skopje NOVA MAKEDONIJA in Macedonian
5 Oct 92 p 3

[Article by Lilica Kitanovska: "Radical Reform Without Upheavals"]

[Text] Prerequisites have been met for providing for the SDB [State Security Service] to begin operations in the immediate future as the Intelligence and Investigation Agency. This will be an autonomous, nonparty, nonpolitical expert institution, part of the security system, modeled after similar services in countries with older parliamentary traditions.

The veil of secrecy that has always concealed the real activities of intelligence services has long played a double role in our country. On the one hand, the model according to which such services have been operating throughout the world was kept; however, much closer to the truth is the fact that in practical terms, so far, the Republic has never had an independent security and defense system because there was not much to be concealed from the public. Now a great deal is being changed in this respect. We are on the way to a major transformation of the state security service, which has a real opportunity to stand up shoulder to shoulder with the respective services in countries with developed parliamentary systems. The law according to which this conversion will establish an intelligence and investigation agency of the Republic of Macedonia is

already drafted, and it is expected that in the immediate future the Security Council of the Republic, an authority that, according to the Constitution, must deal with issues related to the security and defense of the Republic, and that must submit proposals to the Assembly and the government, will issue its ruling. The importance of this ruling is quite clearly indicated by the membership of the council, which consists of the president of the Republic, the chairman of the Assembly, the prime minister, and the ministers in charge of security, defense, and foreign affairs, as well as three other members appointed by the president of the Republic. This means that if the content of this law is accepted by them, it would be difficult for anyone else to subsequently be able to radically change any aspect of it. The thoroughness with which this entire project was approached and the objective circumstances that demand changes in this area provide real prerequisites that quite soon we shall have an agency with the necessary competence and authority consistent with the requirements.

Balanced Supervision

The working draft of the text of the law offers a very precise idea of the nature of the agency. Actually, it is based on the present State Security Service, but separated from the Ministry of Internal Affairs [MVR]. The only question worth considering is the one related to heading the agency. According to some, it should be headed by a director appointed or dismissed by the president of the Republic with the advice of the Security Council to a five-year term and with the right to be reappointed. Another option is for it to be headed by a director appointed by the government but nominated by the president of the Republic with the consent of the Security Council. According to Slobodan Bogoevski, under secretary of the State Security Service, this is a regular political issue for which reason the final choice should be made by the government and the Assembly, and based on political consensus. The problem arises precisely because of the very structure of our system, which is neither purely parliamentary nor presidential, while the status of all similar or related agencies without exception depends on the nature of the political system. Under a presidential system, it is logical for the direct control to be provided by the president. In countries with a classical type of parliamentary system the emphasis is on the authority of the government, but here as well, directly or indirectly, the necessary influence and control of the head of state are required. At the same time, Bogoevski says, in all parliamentary democracies such services are an instrument of state policy.

Specifically in terms of Macedonia, Bogoevski believes that making the system preeminent may threaten the overall process of conversion from a totalitarian to a democratic society. Thus, the rational choice was made of the type of intelligence functions that would be the immediate objective of activities or of coordination by the agency without violating the autonomy of the other administrative authorities, above all those of the Ministry of Internal Affairs, the Ministry of Defense, and the Armed Forces. Actually, the agency would provide the necessary

degree of organization and coordination of such functions within the Republic, for it is recommended that all authorities involved in intelligence and investigative functions to set up their own special departments for the same purpose.

No Police Authority

One of the most significant decisions that lead to dismantling the current security system is that the agency will not have any executive police or administrative authority. For that reason the most accurate description of the agency would be that it is an "institution of state policy, exclusively required and authorized to gather, process, and analyze intelligence data in most areas." The executive police and administrative authority enjoyed so far by the State Security Service will become the function of the police authorities and of the Security Service that would be established on the basis of an amendment to the Law on Internal Affairs or the passing of a new law. (Logically the term "state" is dropped from its name, for this is a kind of ideological term that unfailingly leads to a single-party system whose only principle was that of being the sole ruling party.)

Justifiably, the law assigns the main role to the issue of control and parliamentary oversight. According to Bogoevski, the purpose of these decisions is to ensure the necessary balance in the authority of the legislative and executive powers in this area, which would be one of the most important prerequisites for the stability of the agency and the efficient performance of its functions.

So far, most countries in Central and Eastern Europe have taken steps to reorganize their services. Their experiences have been varied. Some made a most radical break with the concepts that reflected the single-party system, going so far as to entirely disband their intelligence and security services. Examples of this approach are the former East Germany and Czechoslovakia. In Bulgaria and Albania something similar occurred, although this happened after the second parliamentary elections. In some countries, after the initial systematic reforms of these services, the process was either blocked or delayed, as was the case with Romania and Poland. In Hungary, there has been a gradual but basic reform, without any significant upheavals.

The Necessity of the Law

Therefore, the experience of many countries similar to ours is unacceptable. What is left is the example of countries with an older parliamentary tradition, on which the decision concerning our agency should be based. However, according to Bogoevski, without exception, all of them face the current question of which aspect in that area should be regulated by law and, if necessary, what should be the limits of such a regulatory system so that it may not

harm the efficiency of the intelligence services. The best example in this case is that of the United States. The United States is a country with the most extensive legal regulatory system, and disputes between the U.S. Congress and the administration went on from 1945 to 1947 before the National Security Law was passed, which was the basis for the founding of the CIA. What eventually prevailed was the requirement of the strong authority of the U.S. President in supervising the CIA, while the law itself contains no more than a few general concepts regulating the range of CIA functions. However, after the Watergate and Irangate affairs, with increasingly frequent amendments to the laws being made, the role played by Congress is being strengthened without, however, threatening the independent expertise of the CIA.

In order to have such general conditions, no spectacular changes or major shifts should be expected from the forthcoming public reports concerning our SDB. It is already clear that a course toward gradual changes has been charted. The Ministry of Internal Affairs was the first to assume jurisdiction over the entire territory, something that we were objectively forced to do in order to protect our security and territorial integrity. Subsequently, a new classification was adopted with the establishment of a special unit within the SDB—the investigation administration, whose main task was intelligence! A very important systematic change was made after defining the services dealing with public and state security as separate services of the MVR. At the same time, they were to function as nonparty and nonpolitical specialized institutions within the security system. The establishment of the agency will merely be an extension of the reform of the security system that is developing in our country quite positively and without major upheavals.

[Box, p 3]

The Israeli Model

In defining the range of activities, the current model of the Israeli intelligence system was adopted, which takes into consideration the experience of the initial period and of the services in larger countries. Smaller countries have neither the possibility nor the need to develop all the components of such a system.

[Box, p 3]

Legitimate Vacuum

In the republics of the former USSR, such services are still in a statutory and legal vacuum. The consequences of this situation are already evident: a very high increase in crime! Naturally, human rights and freedoms are threatened more in such countries, although the disbanding of these services was aimed at achieving precisely the opposite results.